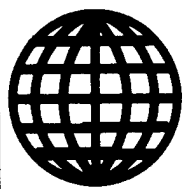
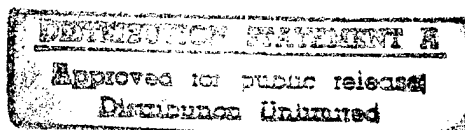


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From Neoauthoritarianism to Neoconservatism

92CM0265A Hong Kong KAIFANG [OPEN
MAGAZINE] in Chinese No 62, 18 Feb 92 pp 28-32

[Article by Ruan Ming (7086 6900), a China reform faction theoretician whose Communist Party membership was canceled in 1982, and currently a visiting scholar at Princeton University: "From Neoauthoritarianism To Neoconservatism—An Analysis of Crown Prince Party Theory"; first five paragraph are author's note; sixth paragraph is KAIFANG editor's note]

[Text] On 13 January 1992, a New York friend in CHUNG-KUO SHI-PAO [China Times] magazine telephoned to say that the magazine's next issue would carry a special interview with Xiao Gongqin [5618 0501 4440], the mainland neoconservatist theoretician, and that he wanted me to read it before publication and write another article for the same issue. The deadline for receipt of my article was the morning of the 17th. I was somewhat hesitant because, having read several issues of the China Times magazine since the inaugural issue, I found that it differed greatly from what I had come to expect from the former SHI-PAO CHOU-KAN [Times Magazine]. I feared that it would have no place for "liberal" opinions. Nevertheless, it is hard to turn down a friend's entreaties, so when I received the final proof of the intended article two days later, I began writing at once. I completed my article and sent it off on the morning of the 16th, a full day ahead of schedule. It was the article that appears here entitled "From Neoauthoritarianism to Neoconservatism."

However, when the article entitled "The Sudden Rise of Mainland Neoconservatism—A Special Interview With Xiao Gongqing, Theoretician on the Mainland's Second Trend of Thought," appeared, I did not see the article I had written. My friend's explanation was that Taipei had decided to run the special interview in consecutive issues, so my article could not be published at the same time, but would be published in the issue after the series was completed.

Today (31 January), at the public trial of 4 June executioner Li Peng held in front of the United Nations, my friend gave me a copy of the special Chinese Lunar New Year edition of the China Times Magazine, and there, on page 101, following a special interview in the "Cultural Watch" column, was what purported to be my article. But from the title to the sub-headlines, it had been completely changed, so much so that I did not recognize it. Although only slightly more than one-third of what I had written had been cut, somewhat more than one-half remained. But what I considered vital about the "neoconservatism" was gone, and not a word was cut from the part that was not vital about "Taiwan is an example of peaceful evolution," which served as a comparison with the mainland.

I suppose that magazine editors have a right to cut and change manuscripts, but to display before the public the

dismembered remains of an article that I detest, allowing readers to suppose that the author is an imbecile, and depicting the "Crown Prince Party" theoreticians as being glorious, great, and correct, which contrasts with what I support, is a somewhat arbitrary decision, is it not? What is more, it was not I who went looking for someone to present with a contentious draft!

Fortunately, Hong Kong has not yet completed the "great unification," and there is Open Magazine, which is willing to be open and present the full body of my article to the public. I think that readers can come to their own conclusions.

Mainland "neoconservatism" has occurred against a background of great official opposition to peaceful evolution, and it is also the theoretical basis for the succession of the Chinese Communist Crown Prince Party, which merits some attention. This article makes a thorough analysis of its origin, development, and crucial points. It also notes that peaceful evolution on the mainland has continued since the 4 June incident, and that it is irreversible.

When the new authoritarianism sprang up on the mainland three years ago, I wrote an analysis for China Times explaining that it was a theory that had appeared to meet a temporary political need, the basic substance of which was Zhao Ziyang's "two basic points: anti-liberalization politically, and reform and opening to the outside world economically. This was the dual program that Zhao Ziyang and Hu Yaobang represented. In this sense, neoauthoritarianism is Zhao Ziyangism."

Soon thereafter, the 4 June massacre occurred; Zhao Ziyang stepped down; and the leader of the new authoritarianism, Wu Jiaxiang [0702 4471 4382], went to jail. This theory lost its soul and has remained quiescent for quite a while. Recently, the self-anointed new authoritarianism "southern faction" theoreticians struck out on a new path, restyling themselves spokesmen for neoconservatism. On the one hand they declare that the "northern faction" neoauthoritarianism has a political background about which everyone is aware, but that the southern faction advocates a purely academic theory that has no political background. On the other hand, they brag that "the first ideological trend era since China's reform and opening to the outside world has passed," and their steady entry into a "second ideological trend era."

1. Political Outgrowth of the Conclusion of the Transition Period

This cannot but make us extremely interested in examining just how this "second trend of thought," which has "no political background," and is "purely academic theory," is able to replace the "first trend of thought" since reform and opening to the outside world given the extremely totalitarian system of "upholding the four principles," and amidst the political clamor to "oppose peaceful evolution."

The period from the 4 June 1989 massacre in Beijing to the failure of the August coup d'etat in the USSR in 1991 has been a transitional period for the regrouping of Communist China's forces and readjustment of its policies. This regrouping and readjustment ended with the CPC's Eighth Party Congress. Its results may be capsulized as follows:

First, the scattered liberal democratic faction has retreated to the fringes of political power, but still possesses potential strength. This faction held a central position during the early period of mainland reform and opening to the outside world. Subsequently, it was gradually weakened or was stripped of power during anti-liberalization; following 4 June, it again suffered a general purging. However, the influence of this faction did not disappear. For example, when Hu Qiaomu seized four "liberals," namely, Li Chang [2621 2490], Li Rui [2621 6904], Du Runsheng [2629 3387 3932], and Yu Guangyuan [0060 0342 6678] in the CPC Central Advisory Committee, which is known as the citadel of the conservative faction, he wanted to cancel their party registration. But even Chen Yun would not nod approval to that. Why? Because they are old "Bolsheviks" having political influence. Not only does the Central Advisory Committee have such "liberals," but the CPC Central Committee, the Discipline Inspection Committee, the NPC [National People's Congress], the CPPCC [Chinese People's Political Consultative Conference], the government, the Armed Forces, and schools and business enterprises have them, too. The "Bolsheviks" have them, and the "Mensheviks" have them too. I understand that among the "sons of high-ranking cadres" there is no lack of "idealists" who seek liberal democracy and human dignity. The "first trend of thought" on which the neoconservatives focus their attacks is the liberal democratic faction that contributed its knowledge and enthusiasm during reform and opening to the outside world, and that paid the price. They are not empty talkers who ingest foreign ideas without assimilating them, but people who sow seeds with their feet planted firmly on the ground. Their liberal democratic ideals and their humanitarian passion come from reason and practice. They come from an appreciation of the suffering of the people, and respect for the will of the people.

The neoconservatives place responsibility for the 4 June massacre on the "democratic romanticism" of the liberal democratic faction's intellectuals and students. This is suspect as a fabricated charge against those massacred. What the intellectuals and students of the liberal democratic faction demanded in 1989 was respect for human rights and the implementation of political reform in order to rescue the mainland economy that had fallen into crisis as a result of political corruption, official racketeering and riding roughshod. They had no intention of overthrowing the existing government. The democracy movement, which began with mourning for a leader of the liberal democratic faction whom the Chinese Communists had unfairly attacked, amply demonstrates this point. The neoauthoritarian faction and the

dogmatic hardline faction within the Chinese Communist Party used the students' democratic movement to gain the separate objectives of their own faction. This was the main factor leading to the 4 June massacre. Naturally, the main offenders were the hardline faction group in charge of the killings. Later on, the neoauthoritarian faction divided into two: One part that opposed oppression, like Zhao Ziyang and Wu Jiaxiang, did not flinch at the loss of their official positions and going to prison. To this date, they have refused to admit guilt, for which they merit respect. The other part worked hand in glove with the minority sons of cadres of the faction in charge of the killings, which has become an appendage of today's "Crown Prince Party."

However, the retreat of the liberal democratic faction before the bayonets does not mean by any means that the liberal, democratic, human rights trend of thought has gone, never to return. Nor does its temporary quiescence mean the victory of the theories of the new conservatives. This point will be discussed further later on.

Second, the all-out attack on the political, economic, ideological, and cultural front of the Stalinist hardline faction, which rampaged for a time in the wake of the 4 June incident, has failed. The method of the hardline faction is not only to oppose "those who talk about bourgeois liberalization," but also to oppose "those who practice bourgeois liberalization." Not only do they want to get rid of the political sources of "disturbances," but they also want to eradicate the economic sources of "disturbances." This means that they plan to seize complete authority to control political ideology and economic property. The first attack in the realm of political ideology and culture following 4 June succeeded. Deng Liqun's [6772 0500 5028], Hu Qiaomu's [5170 0829 2606], Wang Renzhi's [3769 1804 0037], and He Jingzhi's [6320 2417 0037] "leftist gang" seized control. For a time, they made a figurehead of Li Ruihuan [2621 3843 3883], a member of the Politburo Standing Committee in charge of ideology. However, their attack in the economic realm did not succeed because of opposition from local government forces. Around the time of the 1991 coup d'etat in the USSR, the second offensive began, the main theme of which was "opposition to peaceful evolution." In preparation for the opening of a new polemic with the USSR, the "Nine Criticisms" was written, which criticized "revisionism" across the board from Khrushchev to Gorbachev. On the economic side, the theme "is reform and opening to the outside world named capitalism or socialism?" was raised. The result was arousal of joint opposition from middle-of-the-road forces including local governments and the Armed Forces. Before the Eighth Party Congress, a complete defeat was acknowledged. The Eighth Party Congress communique did not even contain the words "opposition to peaceful evolution." This spelled the end of the offensive under leadership of the hardline faction to oppose peaceful evolution and to oppose reform and opening to the outside world. This old dogmatic faction will continue to decline. Deng Liqun's failure to get into

the Politburo and He Jingzhi's inability to get rid of the word "acting" before his title of "minister" symbolize the future fate of this faction that Stalin and Mao Zedong personally nurtured.

Third, the Eighth Party Congress was a victory for the middle-of-the roaders. During the 2 years between the 4 June massacre and the August coup d'etat in the USSR, the middle-of-the-roaders came under pressure from both the hardliners and the international human rights faction in China. Politically, they did not know what to do. For a period of time, Jiang Zemin talked like a hardliner while acting like a middle-of-the-roader. The people who drafted his speeches were also appointees of Deng Liqun. It was only after the hardliners issued the signal to investigate whether reform and opening to the outside world is named capitalism or socialism that the middle-of-the-roaders—with support from Deng Xiaoping and Yang Shangkun—approved the announcement that Shanghai, Tianjin, and the Armed Forces made to surround the hardliners who controlled Beijing public opinion. The middle-of-the-roaders supported reform and opening to the outside world without change, and put forward the idea that "moving ahead with the economy forms the basis for opposition to peaceful evolution." Today, it is a partnership between the middle-of-the-road faction and local forces that controls China's economic progress. The Armed Forces also incline toward the middle-of-the-road and local governments. Yang Baibing's opposition to Wang Zhen and He Jingzhi's meddling in the Armed Forces' literature and art policy provide clues to this.

Fourth, one political outcome at the conclusion of this transitional period that merits attention is the coming out into the open of the "Crown Prince Party" faction within the Chinese Communist Party, and its development of theory. The so-called "Crown Prince Party" was originally a small number of people among the sons of high-ranking Chinese Communist cadres, or those who relied on the special privileges of their father's generation to become officials, or those who relied on the special privileges of their father's generation to do business taken together. The dogmatic hardliners were their main behind-the-scenes supporters. They were also a small number of the main killing faction among the sons of high-ranking cadres at the time of the 4 June massacre. The political feel of these people is not as acute as that of their father's generation. They are surrounded by a number of young theoretician friends who realized, following the failure of the Soviet coup d'etat in August 1991, that the theory and practice of the Stalinist hardline faction could no longer save the Communist Party dictatorship from extinction. Moreover, the continuation of the middle-of-the-road faction's reform and opening to the outside world also foretells a resurgence of the liberal democratic forces who are urgently in search of a new way out. Thus, a new conservative theory is rising to meet it.

2. The Theoretical Trademark of the Chinese Communist Crown Prince Party

The new conservatism identifies itself as an opponent of "radical Westernized reform." It both opposes "mechanically copying" the "Western democratic political system," and "mechanically copying" the "Western free enterprise system." It believes that "democratic politics" and "free enterprise"—these two frightening things—"may both lead to a serious hiatus in economic, political, and social life." Put straightforwardly, this means "democracy must inevitably cause chaos," and "free enterprise must inevitably cause chaos." They say that on this point of "democracy inevitably causing chaos", both the neoconservatives and the neoauthoritarians have an identity of view; however, the free enterprise system that the new authoritarianism espouses can give rise to a desire to take part in government, which will lead to a demand for democracy that will still result in great chaos throughout the country.

Judged from the angle of "intellectual sincerity," their theoretical understanding is indeed logical. Is it not? Hu Yaobang's advocacy of democracy and his advocacy of political system reform met strong opposition from the hardline faction, which led to the 1986 student movement. Zhao Ziyang's two basic points of opposition to political liberalization and advocacy of economic liberalization also met opposition from the hardline faction, which led to a democratic movement on an even larger scale in 1989. Thus, both free enterprise and democratic government are likewise intolerable if liberal democratic "disturbances" are to be halted and a single party dictatorship maintained forever.

Neoconservatism's new theory is substantively indistinguishable from the old Stalinist dogma. Like father, like son remains true. However, as a result of the collapse of the Communist Party in the USSR and Eastern Europe, the old dogmas of the fathers have lost their legal basis, and the sons have no choice but to find a new basis. Since Eastern totalitarianism will fail, and since Western democratic politics and free enterprise are so frightful, only one road remains, namely, to find one's own ancestors. This is the argument of "having the traditional value system, ideology, and values serve as a positive medium for modernization" that the neoconservatives advocate.

However, the "traditional value system, ideology, and authority" is of many different kinds.

Mao Zedong found Qin Shihuang: "What does Qin Shihuang amount to? He buried 460 Confucianists, but we did a hundred times better than he!"

Hu Shi found Fan Zhongyan. Hu Shi wrote: "Fan Zhongyan's *Lingwufu*, which said 'I would rather die shouting than live in silence,' was the earliest declaration of the striving for freedom of speech. It came 740 years earlier than the 'Give me liberty or give me death' of Patrick Henry and Charles Pierre Baudelaire. Who says that China has no tradition of liberalism?"

Mr. Yu Yingshi found the "business man spirit" in China's tradition, so can it not become a "cultural element" in the modern free enterprise system?

In short, in both the Occident and the Orient, traditions are a pluralistic, developing and changing, interacting process of historical accumulation. It is not a highly unified, super stable, and completely closed system.

So what "political and cultural element" did the neoconservatives find to serve as their "positive medium?"

They did not say. It would also probably be difficult for them to say. If it was like the liberalism and the individualist political and cultural elements that Hu Shi found, or the economic and cultural element of the businessman spirit that Yu Yingshi found to serve as a "positive medium," would it match the "Western" democratic government and free enterprise spirit and could it be "bonded" to the "mother material" of mainland society? Would it cause chaos in the single party dictatorship? If cultural elements like Mao Zedong found in Qin Shihuang's, Zhu Yuanzhang's, and Zhu Di's burning of books and burying Confucianists, caning people publicly in unjust verdicts, flogging and beating, which match the "cultural elements of Hitler's and Mussolini's fascism," were used as "positive media," for bonding to the Chinese Communist "mother material," could the "super stable structure" of the single party dictatorship be maintained secure forever? But it would also be embarrassing to make such a public declaration. Thus, this "purely academic" neoconservatism always makes people feel a little confused.

Less confusing is the "Crown Prince Party" document entitled, "China's Response and Strategic Choices in the Wake of the Dramatic Changes in the USSR," which the neoconservatives use as a theoretical trademark. It clearly advocates carrying the "class struggle" in opposition to peaceful evolution from inside China to the world, setting a "new" domestic and foreign strategy.

Internally, the "Crown Prince Party" of neoconservatives advocate the adoption of a "strict government" and a "system of party ownership of economic assets" in opposing democratic government and the free enterprise system.

By so-called "strict government" is meant advocacy of "increased ideological control," and a "state machine having a stronger public security and judicial government apparatus" that "emphasizes attacks against elements causing social disturbances." It criticizes the past practice of daring to talk only about "clean government," and "hardworking government", but not daring to talk about "strict government" as being a "people pampering policy" and a "puritanical attitude." They advocate "strictness" toward the common people, and legalizing bureaucratic privileges, saying that "official privileges are necessary for fulfillment of state functions" in order to halt criticism and freedom of speech.

"Party ownership of property" means converting all of the state assets economy into a single party monopoly. This is termed "new centralization that enables the state to modernize the economy from a new starting point." The document calls this open advocacy of a reversion of all property that is "jointly" the people's and the state's to being completely "communal property" held by a single party as being "completion of the change from a revolutionary party to a power-holding party." Moreover, it uses this to "attract large numbers of young intellectuals to join the party" to "oppose peaceful evolution" as the "most effective means of preventing internal and external subversion." Mainland China's difficulties in reform are in the political realm. The neoconservatives assert categorically that it is absurd to suppose the 4 June massacre ensures the stability of the mainland. **The origin of Mainland China's relative stability is not dictatorship and tyranny, but the irreversibility of the development of free enterprise and the commodity economy since reform and opening to the outside world.** Everyone remembers that after 4 June, the hardline faction tried for a time to attack private enterprise and the commodity economy in an effort to roll back Chen Yun's "bird cage" economy. Not only Li Peng, but Jiang Zemin as well, suggested the need to "plunder" the individual household entrepreneurs. Not only did this prove ineffective, but the mainland economy continued its "radical" tendency of evolution toward free enterprise and a commodity economy. In 1991, township and town enterprises grew 23.3 percent, and township and town enterprise exports increased 32 percent. The economies in some coastal areas of the mainland are now linked with the markets of Hong Kong, Taiwan, Japan, the United States, and Western Europe. **This linkage amounts to more than a few enterprises alone. It is founded on large numbers of township and town enterprises and runs from bottom to top. It is a linkage of the entire structure from townships and villages to cities. This rapidly strengthening new economy depends on the domestic and international markets for its survival and development. It is not dependent on the state. The state's economic growth and financial revenues do depend on it, however.** Such a change in the dependency relationship cannot be rolled back without yet another confiscation. But these enterprises are capitalized by Hong Kong, Taiwan, Japan, the United States, and Europe. They are capitalized by collectives and individuals in cities and the countryside. They cannot be handled like the defeated Kuomintang bureaucratic capital in 1949 by sending military representatives to take them over, nor can they be expected to welcome a "socialist transformation" to the beating of gongs and drums as the national bourgeoisie did in 1956.

This is the only reason why the Chinese mainland has not sunk into the economic predicament of the former USSR and Eastern Europe. Therefore, it is not dictatorship and tyranny, nor is it the "deterrent force of the inviolate system," but the development of a free economy that the "inviolable system" cannot enter that

has saved the Chinese mainland. Today, peaceful evolution in the economic realm continues to move ahead on the Chinese mainland. The question is whether this evolution will extend into the political realm to create a free and democratic political atmosphere beneficial to a free enterprise economic system that respects people's intelligence and values, enabling people to free themselves from the shadow of tyranny, fear, and the "inviolate system" so that the Chinese mainland can advance along with the rest of the world. However, the neoconservatives want to use the "inviolate system" both economically and politically to contain peaceful evolution. Does this not amount to trying to turn back the tide of history?

Regrettably, theoreticians who study peaceful evolution and counter-peaceful evolution only focus on the change of the former USSR and Eastern Europe while mostly overlooking the evolution of the "oriental China"—Taiwan.

Peaceful evolution has different targets. One is the evolution of communist party-governed totalitarian system countries toward free democratic societies, and one is evolution from a traditional oriental dictatorship system to a modern democratic system. Taiwan is in the latter category. In my view, because of similarities in cultural history and national traditions, Taiwan's progress in peaceful evolution holds greater relevancy for the mainland and for certain eastern countries and regions. It may be much more relevant than the USSR and Eastern Europe.

Internationally, the "Crown Prince Party's" neoconservatives advocate the arousal of nationalistic sentiments to resist "peaceful evolution." The document reads as follows:

"Peaceful evolution means Western nations' conduct of a containment and undermining strategy toward socialist nations for the purpose of protecting their control over international markets and resources. Changes in the international situation during the new age have changed the form in which class struggle is manifested from inside the country to a clash of the interests of indigenous nations internationally. Results from such a clash when opposing peaceful evolution are better, and better able to awaken people's national sense of self-respect and self-defense."

The document proposes the need to "highlight nationalism, and patriotism" in a "creative transformation of China's traditional culture," using the "collectivism" and the "every man has a responsibility for the rise and fall of the nation" in "China's Confucian tradition" etc. to "strengthen people's concepts about the country's national interest."

It seems that both inside China and abroad, the neoconservatives express an aggressiveness and riskiness that is by no means "conservative." Some people are wrong in terming neoconservatism "the "middle-of-the-road force" or the "third force." It is more extreme than the

"political radicalism" or the "economic radicalism" that it opposes. As I understand it, the free and democratic force that the neoconservatives call "political radicalism" or "economic radicalism" is persistent, rational, gradually advancing, non-violent, peaceful evolution toward democratic government and a free enterprise system. But the self-styled "neoconservatives" have unbounded blind faith in violence and reliance on violence. They keep on talking about "use of the powerful state machinery as a backup force for strengthening their own authority." They stress "upholding the four principles" as requiring "use of the coercive power of the state machinery as a backup force in an inviolate system holding awesome power" that "functions to constrain governmental participation in violence!"

Is it a nameless terror to be used against democratic government and free enterprise that drives the "Crown Prince Party" and their "neoconservative" friends to become devotees of violence from which they cannot free themselves?

3. China's Peaceful Evolution Is Irreversible

Truth does not exist apart from all else. The power of a theoretical trend of thought lies not in the self-imagination and self-intoxication of those who conceive it but in meeting the requirements of social practice. Practice is the sole standard for testing truth. The practice of both China and the world show that the historical tide of both democratic government and free enterprise is irreversible. Use of the dismemberment of the USSR and the difficulties of Eastern Europe to threaten and impede China's turning toward the peaceful evolution of democratic government and free enterprise is in vain. The long-range reasons for this dismemberment and these difficulties may be found in the violent dictatorship, and the party and government monopoly on the economy that endured for so long. In short-range terms, the reason may be found in Gorbachev's attention to politics to the neglect of the economy in both theory and practice. In the evolution toward democratic government, there was no accompanying development of free enterprise and a commodity economy.

Neauthoritarianism depicts the "Taiwan experience" or the "Chiang Ching-kuo model" as "dictatorial government flirting with a free economy" or a "honeymoon," and it maintains that dictatorial government was a prerequisite for Taiwan's economic miracle. Such a thesis is obviously blind to the facts. Since Taiwan's restoration, it has gone through martial law, the February 28th incident, the Zhongli incident, and the MEILI DAO [Beautiful Island] magazine incident. This dark face of Taiwan rule was the political result of the historical clash between both sides of the Taiwan Strait. This dictatorial government that history created was not a necessity for Taiwan's economic, political, social, and cultural development; instead, it was a negative element and an extra burden for Taiwan's development. Chiang Ching-kuo's strength in running Taiwan lay in his ability

to accept the lessons of history, to abandon the old and chart the new politically, bringing to an end the one party dictatorship on Taiwan, and bringing into being a peaceful evolution toward democratic government. In fact, even during the martial law period, Taiwan's limited development of greater freedom, greater democracy, and greater indigenous participation did not halt. With the easing of the situation on both sides of the Taiwan Strait, Taiwan began a fairly "radical" democratization process following the lifting of martial law. During this process, episodes of political immaturity also occurred, which are unavoidable in the democratization of any nation or territory, and which should not be surprising. The elections to the National Assembly, which were recently held, show that Taiwan's democratization has made great strides from childhood to maturity. I agree with the views that Mr. Li Teng-hui expressed in an interview with the Voice of America on 28 December 1991, in which he said that "Taiwan's experience" was "to give equal emphasis to economic development and democratic government," with a goal of "everyone enjoying prosperity and dignity," and "the peacefulness and reason shown during the election process shows that the Taiwan public has abiding democratic accomplishments, and that democratic government can be fully developed in Chinese society." Since peaceful evolution toward democratic government and free enterprise can permit an eastern islet having a dense population and scant resources like Taiwan to become a place where "everyone enjoys prosperity and dignity," then why not the mainland, which has the same "cultural elements?" Therefore, I also agree with Mr. Yu Ying-shih's [0151 5391 2514] view that Taiwan deserves to be taken as a model for "peaceful evolution."

In looking ahead to the future, peaceful evolution of the oriental world, including Mainland China, toward democratic government and the free enterprise system can be anticipated. But "the second trend of thought era" called for by the neoconservatives, in which the Crown Prince Party holds political power, is, I fear, a pipe dream.

'Inside Story' of Pan Weiming's Arrest, Conviction

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MAGAZINE] in Chinese No 62, 18 Feb 92 pp 11-13

[Article by Hsia P'ing (1115 1627), free-lance writer in Hong Kong: "The Fall of a Star of the Reform Party—The Inside Story of Pan Weiming's Arrest and Conviction for Frequenting Prostitutes"; first paragraph is KAIFANG editor's note]

[Text] Pan Weiming, a favorite member of the former Hu Yaobang [5170 5069 6721] faction, director of the Shanghai Municipal CPC Committee's Propaganda Department, was recently convicted for the offense of frequenting prostitutes. By recording the true facts of the case, the present article shows some of the inside workings within the Chinese political scene, as it is also highly significant as a warning signal.

Communist China officially announced the news in January this year that Pan Weiming, formerly director of the Shanghai Municipal CPC Committee's Propaganda Department, was sentenced by the Shanghai Intermediate People's Court to 4 years in prison for hooliganism, having seduced and sexually abused several women and also openly frequented prostitutes during the period from 1986 to the beginning of 1990. How could so serious a change of circumstances befall Pan Weiming, transforming him from a star on the political scene with brilliant prospects to today's criminal, guilty of the offense of frequenting prostitutes?

A few days ago a very close friend of Pan Weiming had arrived in Hong Kong from Shanghai on official business and had given a detailed account of the Pan Weiming case. I believe that account to be trustworthy and also worthwhile to report.

A Politically Most Powerful Favorite of Hu Yaobang

Already a few years ago Pan Weiming was a very promising and outstanding personality on the mainland. He was of the same age as the People's Republic and had graduated from Beijing University in the summer of 1982, whereupon he was assigned to serve in the office of the party branch of the said university. His father-in-law, Liang Guobin [2733 0948 2430], at that time already deceased, had been secretary in the Secretariat of the Shanghai CPC Committee and concurrently vice mayor of the city. This relationship enabled Pan Weiming to transfer to Shanghai in July of 1984 to become head of the general office of the CPC Committee's Propaganda Department. During that period, Pan maintained frequent and close telephone contacts with Hao Keming [6787 0344 2494], the wife of Hu Qili [5170 0796 4539], a former head of the party branch office at Beijing University and later chief secretary of the State Education Commission. Pan was also led on by his mother-in-law to busily call on Chen Guodong [7115 0948 2767], the municipal party secretary, on Hu Lijiao [5170 4539 2403], chairman of the Municipal People's Congress, and on mayor Wang Daohan [3076 6670 3211]. He also sought to gain further backing among persons in elevated positions through the medium of classmates and school mates from Beijing University, such as Yang Jing [2799 5164] and Meng Xiaosu [1322 2556 3936]. Yang Jing is the daughter of Yang Yong [2799 0516], a former commander of the Beijing Military District, and her mother Lin Bin [2651 1755] is a cousin of CPC Secretary General Hu Yaobang. Meng Xiaosu is chief secretary of Wan Li [8001 6849], chairman of the National People's Congress. After one year, Wang Yuanhua [3769 0337 0553] retired from his position of director of the Municipal Propaganda Department, whereupon Pan Weiming became first deputy director, although he had not been member of the departmental party organization and was being promoted over the head of four other deputy directors. Soon afterward, Pan became the youngest director among the 30 directors of party committee

propaganda departments in all provinces, municipalities, and autonomous regions. The smooth progress in his official career and his excellent prospects were matters of general acclaim!

As soon as he had assumed his office, Pan Weiming concerned himself with, first, "enhancing the cadre training classes," with the objective of changing within a year or two all leading cadres in all cultural units of Shanghai to young cadres whom he himself could fully trust. Second, he initiated the calling of a convention on the cultural development strategy for Shanghai. Invited to this convention were only persons from the ideological and cultural fields who were firmly determined fighters for reform, such as Su Shaozhi [5685 4801 2535], Yan Jiaqi [0917 1367 0366], Li Zehou [2621 3419 0624], Bao Zunxin [0545 6690 0207], Yu Haocheng [0060 3185 2052], Wang Ruoshui [3769 5387 3055], and Sun Changjiang [1327 7022 3068]. He thus established a school of his own and broke fresh ground, distinct from the educational activities for the promotion of a socialist spiritual civilization sponsored by Deng Lique [6772 0500 5028], secretary in the Secretariat of the CPC Central Committee, and Xu Weicheng [1776 1919 6134], director of the Beijing CPC Committee's Propaganda Department. From then on Pan Weiming's reputation rose rapidly and he was highly esteemed. He was regarded as a favorite of Secretary General Hu Yaobang, a capable agent for CPC Secretary Hu Qili, and a trusted follower of Rui Xingwen [5360 2622 2429], secretary of the Shanghai CPC Municipal CPC Committee. The Hong Kong press also referred to him as "a new star emerging on Communist China's political scene."

Unfortunately, there occurred at the end of 1986, quite unexpectedly, the large-scale student unrest. In January of the following year, Hu Yaobang was forced to resign. High-level authorities in Beijing immediately notified Shanghai to order Pan Weiming to attend the "anti-bourgeois liberalization study classes" at the Party School of the Central Committee, which also meant for him the loss of his position of director of the propaganda department. Through the powerful intervention of Zhao Ziyang, who by then had succeeded as secretary general, this anti-liberalization movement quietly dropped from sight, and the study classes also fizzled out. After his return to Shanghai, Pan Weiming was assigned the post of deputy secretary of the party committee at the Shanghai Electrical Machinery Plant in the Minxing Industrial Development District, where there was nothing to do for him all day. Later, on his repeated requests, and messages from Hu Qili, then a member of the Standing Committee of the Politburo, to the Shanghai party committee, Pan Weiming was appointed party committee secretary at the Publication Administration Bureau. At that time the position of director of the CPC Committee's Propaganda Bureau had been occupied by Chen Zhili [7115 5267 4539], appointed by the newly installed municipal party secretary Jiang Zemin [3068 3419 3046]. Be that as it may, with his backing from Hu Qili still intact, Pan Weiming could continue to count on opportunity for promotion.

Pan Weiming Remains Active Even After Dismissal Following the 4 June Incident

Pan Weiming was well aware that his own fate was in every respect closely bound up with the reform forces inside and outside of the party. After the 1989 popular movement erupted, he enthusiastically joined it. First he rushed to Beijing to take part in a symposium on 19 April devoted to the memory of the late Hu Yaobang, a symposium sponsored by magazines XIN GUANCHA and SHIJIE JINGJI DAobao. At the symposium he said that the movements "for the elimination of spiritual pollution" and "against bourgeois liberalization" did not enjoy popular support even at the grass roots. On his return to Shanghai, he mobilized intellectuals to go into the streets to demonstrate. When Li Peng declared martial law on 19 May, Pan Weiming, together with Sun Hengzhi [1327 1854 1807], deputy director of the Shanghai CPC Committee's Policy Research Office, and a nephew of Yan Mingfu [7051 2494 1788], secretary in the Central Committee's Secretariat and concurrently director of the United Front Work Department, and Huang Anguo [7906 1344 0948], deputy secretary of the party organization at the Shanghai Municipal Writers' Federation, drafted an "Open Letter From the Members of the Communist Party in Shanghai to the CPC Central Committee." This letter demanded that the Central Committee call an emergency meeting, withdraw Li Peng's speech of 19 May, repudiate the 26 April RENMIN RIBAO editorial, and immediately lift all restrictions on the press. He even initiated a wide signature drive among all the various press, theory, education, and industry circles of the entire city, an action which had a huge impact. This affair was later described by Zhu Rongji [2612 6954 1015], secretary of the Shanghai Municipal CPC Committee, as "the most serious anti-party act during the Shanghai disturbance," and Pan Weiming then also became "top-ranking candidate" in Shanghai's "cleanup" investigation process.

In July of 1989, Pan Weiming was relieved of all party and nonparty duties, and the next year received the verdict of "being retained in the party on probation for 1 year." Compared with the treatment of others, this verdict must be considered a very light one. It was said that he normally was fond of photography, and occasionally even had some of his works published. In this connection he became acquainted with the young "top man" in the field of photography on the mainland, namely, Yang Shaoming [2799 4801 2494], the son of State President Yang Shangkun [2799 1424 2492], and at this time Pan Weiming was indeed eager to consolidate the contact. When the relevant department pronounced its verdict on him, it was more or less a case of "hesitating to pelt a rat for fear of smashing the dishes beside it" [hold back action against an evildoer for fear of involving good people], and his party membership was not radically canceled.

The experience of two lifts and two falls in politics did not dishearten Pan Weiming; having been dismissed from office and condemned to inactivity has never

caused him to shut himself up and ponder over his mistakes. As before, he would frequent places of social contacts, such as dance halls, and he also went, just as if nothing had happened, to the memorial meeting for the famous Beijing University professor Wang Yao [3769 3852]. Later, due to his friendship with Xu Shijie [6079 1102 2638], secretary of the Hainan Provincial CPC Committee, Pan Weiming assumed the post of general manager of the Hainan Motion Picture and Television Company, and, relying on the basic knowledge he had acquired in the Chinese Language Department of Beijing University, he edited the scripts of plays, raised funds, hired actors, and organized the production and filming of television shows, keeping himself extremely busy. As some of his friends, he firmly believed that there would indeed be another opportunity for him to stage a comeback.

His Disposition Toward Womanizing Lands Him in a Trap in Chengdu

Pan Weiming, who in politics was a man full of lofty aspirations, had a fatal weakness in his ordinary behavior, namely, a disposition toward womanizing.

Early in 1986, a student returned to Shanghai from the United States, where he is working toward his Ph.D. in history at the University of California, Berkeley. He was pursuing a certain Miss Wang, who was a prestigious ballerina of the Shanghai Ballet Ensemble; indeed, she had already won prizes at international competitions. For two months, however, he had nothing but rejections from the girl's side. He painfully tried to find out the reason, and only after many enquiries, came to know that the obstruction in his relationship with Miss Wang was the imposing figure of the director of the propaganda department. Actually, Pan Weiming had taken up an abnormal and dubious relationship with this ballerina. As a result, the student, naturally very much dejected, had to return to the United States.

According to a CENTRAL NEWS AGENCY report, the criminal court had established as basis for its sentence that Pan Weiming, during the period from August 1986 to February 1991, with the intention of engaging in frolicsome love-play, had employed seductive means, either at his own residence or at some remote shanties, and had illicit sexual relations with three unmarried women and four married women. At one time Pan Weiming had also shown pornographic films to one young woman at his home and then had illicit intercourse with her. In the entire statement of all his offenses, none was described as "rape," which seems to show that there had been mutual consent. Of course, Pan Weiming had relied on the power of his position in satisfying his desire for all the good things in life, while the women involved sacrificed their bodies for the sake of gaining housing, advancement, or exit visas. As long as the women had achieved their objective, or did not lodge accusations, these affairs would have remained unknown to the world, a secret known only to the parties involved.

But how is it, then, that Pan Weiming's romantic escapades came to light?

One day early last year, Pan Weiming's friend Yang Lujun [2799 7627 6511] came to see him. That man was a research fellow who had graduated from the World Economy Department of Fudan University and was employed at the research institute of the China Investment and Trust Corporation in Beijing. He had translated the book *Reaganomics* and was a budding talent in the field of economics. After the 4 June incident he was arrested and convicted for "participation in the unrest." He alleged that his matters had all been completely cleared up, and that this was the reason why he was released. He then urged Pan Weiming to seek some relaxation away from home, to which Pan Weiming gladly agreed, asking Yang what place he had in mind. Yang suggested going to Sichuan where he had a friend, so that there would be no problem about "board, lodging, and amusements; all would be provided."

On arrival in Chengdu in Sichuan Province, Pan Weiming and Yang Lujun did some photographing of scenery, and they also made the acquaintance of a very beautiful and charming prostitute. That evening, just when Pan Weiming was in his hotel room playfully engaged with the said prostitute, a couple of security police burst in, checked identity papers, and declared that Pan Weiming would be taken into custody for investigation. In no time, the Shanghai CPC Committee and the Safety Bureau dispatched officers to Chengdu and had Pan Weiming returned to Shanghai under escort.

That his own affair became exposed so rapidly while Yang Lujun remained scot-free made Pan Weiming realize that there was something questionable about it, and he bitterly reproached himself, but by then it was too late.

Yang Lujun had actually once been arrested and investigated by the State Security Bureau of Shanghai. When still under arrest, an official had visited him for a talk and had informed him of an item of information in their hands, namely, that Pan Weiming had illicit intercourse with his, Yang's, wife. Yang Lujun's wife had been Yang's school mate at the same university department but a few terms later than Yang; she was a very attractive woman. A common saying says: "Never act disgracefully toward the wife of your friend." When Yang Lujun heard that this sex-maniac Pan Weiming had not even spared his, Yang's, wife, he was indeed outraged and full of hate. The official of the Security Bureau mentioned that Yang Lujun's help and cooperation could be an object of exchange against permitting him to go abroad later. Yang Lujun readily agreed, and with both sides being thus in agreement, there finally came about the above-described scene at the Chengdu hotel.

Pan a Long-Time Object of Observation by the State Security Bureau

Supervising the various activities of officials of all ranks, especially of officials in high positions, is actually a part of the duties of the state's security departments. Already at the time Pan Weiming headed the general office of the Propaganda Department, he periodically brought some young cadres and intellectuals together at a small restaurant run by one of his friends on Anfu Street for a free discussion of politics. After his dismissal, the matter of the "Anfu Salon" became a critical point in his trial, its every activity having been recorded on film and tape, which shows that the security organs had all along infiltrated these meetings. As to his valiant statement after he had been dismissed: "Let me make a comparison with those old geezers: Who between us will have better prospects. If only I will survive them, I will turn things around. History will eventually verify that it is us who will write the final verdict on Deng Xiaoping and Chen Yun [7115 0061], and it will not be Deng Xiaoping and Chen Yun who will write the verdict on us," and also as to every move in this connection, the relevant departments had complete information. As to his dalliances and illicit sexual relations during the two years his wife, Liang Xiaoyuan [2733 1420 1354], was studying in Germany, these too had long been noted by the relevant department. It is generally known that Pan Weiming was not of the type that would idle away his time—his capacity for action was tremendous—but if attacked from the angle of his problematic behavior, he could easily be driven into a precarious position. For once "culprit and loot" were both in evidence and all evidence was clear and accurate, no backing of any kind could save him.

Sure enough, after everything was accomplished, Yang Lujun divorced his wife and, as he had wished, went to Hong Kong to look for a job.

Party discipline of the CPC prescribes: Any party member who frequents prostitutes has to be expelled from the party. The Shanghai municipal party committee accordingly issued a notice on 17 May of last year expelling Pan Weiming from the party for having been so morally degenerate as to frequent prostitutes. Zhu Rongji's successor in office, municipal party Secretary Wu Bangguo [0702 6721 0948], pointed out with great emphasis at a congress of leading party cadres: "People like Pan Weiming must all be subjected to a thorough investigation, politically, economically and as regards their personal conduct."

During His Trial Pan Betrayed Hu Qili and Rui Xingwen

The People's Procuratorate of Shanghai Municipality specially detached two procurators of departmental rank for a comprehensive investigation of Pan Weiming. They not only provided evidence of his licentious, sex-related behavior, but even showed heightened interest in his political activities since the middle of the 1980's.

Pan Weiming had always been a man of steadfast spirit and an abundance of vitality, but once thrown into prison, there was no further trace of his former high self-esteem, and he seemed to have completely collapsed spiritually. In his confession he listed every instance of his contacts with prostitutes, also in detail with whom in particular he had a romantic encounter, including every person he kissed or with whom he had intimate relations. He confessed all, without any omissions. Most startling is the fact that he even systematically and in full detail disclosed whatever Hu Yaobang, Hu Qili, and Rui Xingwen had privately said in those years, some of it concerning the speeding up of the political reform, early organization of a successor team at the top, ideas on personnel involved, etc. After these revelations were transmitted to the Central Discipline Inspection Commission and the Organization Department of the Central Committee, the information would certainly have been entered into the personal files of these persons. As we look at all this today, it reveals the inside story of the ongoing "raids to capture the opponent's team and the general power struggle." It will undoubtedly throw a further dark cloud over chances for a return to power for Hu Qili, now deputy minister of the Department of Electronics, and for Rui Xingwen, now deputy chairman of the State Planning Commission, and over their future prospects. When some former close friends or colleagues of Pan Weiming heard of this matter, they were enraged and cursed him as "evil" and "spineless," deeply regretting having ever followed a wrong man.

It is reported that Pan Weiming's wife, Liang Xiaoyuan, is already demanding a divorce, and his mother-in-law is also completely heartbroken about the downfall of her son-in-law.

There are also, of course, people who believe that the authorities purposely harass this man on moral grounds and that, furthermore, the punishment meted out to him was too heavy. However, viewed from another angle, Pan Weiming's womanizing was indeed a very serious weakness. In the present age, if a person aspiring to a political career does not first have his private life checked, he will sooner or later suffer a setback. Haven't there been a number of cases in the Western countries where a politician has had good prospects to become president, but then been attacked for sex-related affairs? It shows that this is not merely a matter of certain moral concepts in Chinese society. Moreover, there is often a close link between the moral conduct of a person in his private life and his political ethics. Isn't this point not also clearly revealed in the confession of Pan Weiming?

Profile of Former Zhao Ziyang Aide Bao Tong

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[Article by Hu Nan (5170 2809): "Modern-Day Tan Sitong—Remembering Bao Tong (7637 1749), Star Reformer Inside the CPC System;" first paragraph is KAIFANG introduction]

[Text] Bao Tong, Zhao Ziyang's chief assistant, was officially arrested by the CPC not long ago. He is not well-known overseas. This article tells the whole story about Bao Tong's background, his political beliefs, his contributions, and his current situation in prison as we await his comeback in the near future.

The setback, marked by the June 4 crackdown, in China's reform which had been very successful in the 1980s, reminds people of the Reform Movement of 1898, and they are comparing Zhao Ziyang who is under house-arrest with Emperor Guangxu and the imprisoned Bao Tong with Tan Sitong who was beheaded.

Two-and-a-half years after he had been taken into custody, Bao Tong was formally arrested in mid-January of this year. He was charged with the crimes of "divulging state secrets and disseminating counterrevolutionary propaganda." His wife Jiang Zongcao [5592 1350 2347] (deputy chief of some bureau in the CPC Central Committee Bureau of Translation) has written a letter to CPC General Secretary Jiang Zemin charging Beijing Mayor Chen Xitong of framing her husband. She said that Bao Tong was a good party member and had done much for the reform and opening up in the last 10 years and that he would never do anything that would violate party discipline and state laws. She urged the CPC authorities to hold a public trial to let the people judge for themselves whether Bao Tong had indeed committed a crime. Bao Tong's children have also boldly asked the authorities to release their illegally-detained father and urged the authorities to investigate whether there had been an abuse of official power.

Bao Tong Is Little Known Overseas

Bao Tong's case is perhaps the most sensitive since the '89 prodemocracy movement and is also the toughest for the CPC. Those in power have long debated on how to deal with the issue. This is not only because Bao Tong is still a member of the CPC Central Committee and was the highest-ranking official arrested in the June 4 incident, but Bao Tong also has in his hands the secrets of the power struggle at the top level.

Bao Tong was at one time Zhao Ziyang's special assistant and was also the political secretary of the Standing Committee of the Politburo—the supreme power core of the CPC, and he was directly in charge of the restructuring of the political system and could be considered Zhao Ziyang's right-hand-man. But few outsiders know much about him. Articles published in Japan, Hong Kong, and Taiwan have only made brief references to Bao Tong; some do not even have information on his age or his hometown.

Nephew of Wu Shichang [0702 0013 2490], renowned scholar of *Dream of the Red Chamber*

Bao Tong was born in 1933. His ancestral home was in Zhejiang but he grew up in Shanghai. He did not come from a rich family. Once, some relatives came to visit, and 12 people had to squeeze into a room measuring 25

square meters, and while the elders slept in the beds, the young people had to sleep on the floor. This shows how poor they were.

At the end of the 1940s, the CPC's underground party began to gather strength in Shanghai. Since his third year in junior middle school, Bao Tong learned about the party from his teachers and classmates, and he later became a key member in underground work. When he was a student at Shanghai's Nanyang Model Middle School, he published the following verses in TA KUNG PAO:

"Let my own blood

Prove that there is warmth in the world."

The person who had substantial influence on the young Bao Tong was his uncle Wu Shichang. Wu had been invited to lecture at Oxford and Cambridge Universities in 1947. He went back to China in 1962 and became a research fellow in literature at the Chinese Academy of Sciences' Department of Philosophy and Social Sciences (today's CASS.) He was a well-known "*Dream of the Red Chamber*" scholar. When he died in Beijing in 1986, the CPC held a large memorial service for him, and many high-ranking officials attended. On 11 September of that year, RENMIN RIBAO published an article by Bao Tong eulogizing his uncle.

In the 1950s, the young Bao Tong had already become a CPC cadre. In his letters to his uncle who was in England at the time, he, quite unbecoming of him as a nephew, asked, in the reserved manner of the CPC (in his own words,) "What is your opinion of the people's government?" But he also had more tactful words, such as, "It is foggy in the foreign land, but spring is beautiful at home. Lian Po is still young, and surely he can still be of service." Wu Shichang always sent his nephew long letters in which he replied, "Your reference to Lian Po probably has double meaning. If you are asking about my health, I can tell you that the hair on my temples have not turned white yet, but my teeth are weak when I chew my food. But if you are asking me when I am coming home, my reply is, when Lian Po left the state of Zhao, he had no choice; he was forced to. I, however, of course will return to China some day."

Imprisoned During the Cultural Revolution For Being An Ziwen's [1344 1311 2429] Secretary

In his article eulogizing Wu Shichang, Bao Tong urged CPC members to learn from non-party members about party spirit: the party spirit that distinguishes right from wrong, the party spirit that seeks the truth, and the party spirit that tells the truth. Bao Tong said that party spirit is in fact the human spirit.

In early 1966, Bao Tong traveled abroad on business. He read about his uncle's defense of Wu Han [0702 2498] at a national conference in RENMIN RIBAO, and based on his experience in the CPC organization (at that time, he was An Ziwen's secretary and also chairman of the CPC Organizational Department's Research Department,) he knew that his uncle might offend those in high

places. When he returned to Beijing, he tactfully urged his uncle to "think thrice" and "be prudent."

But no matter how careful Bao Tong had been, he could not escape disaster. An Ziwen was branded a member of the Liu [Shaoqi]-Deng [Xiaoping] "sinister gang," and as secretary, Bao Tong did not want to "take sides," even less become a turncoat, so he became a sacrificial lamb in the political turmoil. In August 1966, Bao Tong's home was searched and his properties confiscated, and soon thereafter, he himself was imprisoned.

Becoming Zhao Ziyang's Top Assistant

In the wake of An Ziwen's comeback, Bao Tong returned to Zhongnanhai. Recommended by Deng Xiaoping's "ally" An Ziwen, Bao Tong won the trust of Deng Xiaoping and Hu Yaobang. The famous speech Deng Xiaoping delivered before the National Science Conference in 1978 was drafted by Bao Tong. That speech contained the words "intellectuals are part of the working class," a brilliant exposition that had important meaning in the China that was in the midst of bringing order out of chaos. Later, Bao Tong went even further to state that "intellectuals not only are a part of the working class but are the best part."

An Ziwen passed away in Beijing in 1980. That year, Zhao Ziyang became premier of the State Council. From that time on, Bao Tong had been by his side, serving as his most trusted and most important assistant and brain trust. Reportedly Bao Tong became Zhao Ziyang's assistant at the personal recommendation of Deng Xiaoping.

According to Wu Guoguang [0702 0948 0342] who at one time worked under Bao Tong, not many people can measure up to Bao in terms of the value and the amount of contribution he has made in China's reform in the last 10 years.

In 1984, the State Council created the State Restructuring of the Economic System Commission. It was announced that Zhao Ziyang would serve concurrently as chairman, and Bao Tong was named vice chairman.

In June 1985, Bao Tong accompanied Zhao Ziyang on a visit to Great Britain, West Germany, and Holland. At that time, his credential was Zhao Ziyang's special assistant and director of the Premier's Office.

In January 1987, Hu Yaobang was forced to step down and Zhao Ziyang took over as general secretary. Meanwhile, Bao Tong became political secretary of the Standing Committee of the Politburo (not Zhao Ziyang's personal secretary,) and he was responsible for drafting the "Tentative Ideas on Restructuring the Political System" and the 13th National Party Congress's "Political Report." Wu Guoguang recalled that in the drafting process, Bao Tong fully displayed his political wisdom and talent and his ability to integrate idealism and pragmatic attitude, depth and sharpness with tolerance and compromise, and integrate his own creative thoughts with other people's ideas. In fact, many theses,

methods, and concepts that were proposed as tentative ideas on the restructuring of the political system could be traced to Bao Tong. For example, it was his decision that the theme of political reform should be to "develop democracy," and he also suggested that the basic ideology of China's political reform was to turn the system of war and revolution into a constructive system, that is, a modernized political system, and he hit the nail in the head when he pointed out that the key to China's political reform was to decentralize the power so far monopolized by the CPC.

In November of that year, Bao Tong was elected member of the 13th Party Central Committee. In February of the next year, the CPC Central Committee Political System Research Center, under preparation for a long time, was finally made public, and Bao Tong was named chairman.

Advocating "Separation of Government and Enterprises" For the First Time

"Government and enterprises must be separated"—this marked the beginning of the devolution of power and greater freedom in the 1970s. Reportedly, this strategy was first advocated by Bao Tong.

In an article, Bao Tong said that the final result of reform should be to clearly delimit the powers of government organs at all levels in the management of economic matters. Ultimately, the restructuring of the economic system should achieve the following: Except for things illegal, enterprises should be allowed to do anything; except where prior reporting and approval are required under government regulations, enterprises should be allowed to make their own decisions and do things as they see fit.

In 1984, Bao Tong took charge of the formation of the Institute for the Restructuring of the Economic System and explicitly told its chairman, Chen Yizi [7115 0001 6171], that the institute should neither become a unit for studying pure theory, like CASS, nor should it become a government department that performed specific tasks assigned to it. Instead, it should be a research department with advanced research capabilities and be able to formulate strategies and countermeasures. In the same year, Bao Tong also became the first president of a civilian organization called the Beijing Young People's Economic Society; Chen Yizi was the vice president. The society had amassed many young theoreticians from various ministries and committees of the Party Central Committee, research institutes, and universities, and Bao Tong in effect became the "human ladder" that linked those people to the top-level policymakers. However, his efforts to help and guide these intellectuals who could not give play to their personal talents within the CPC's "regular system" were regarded by the hard-liners as an effort to build up Zhao Ziyang's "fleet." He was harshly criticized. Some suggested that he was under the influence of people with Westernized thought. Others even charged that some of his foreign friends who were providing financial assistance to young students to study

abroad were in fact controlled by the intelligence agencies of certain countries, and that their intention was to influence the State Council's decisions.

Accused of Being the Biggest Black Hand Behind the '89 Student Movement

In April 1989, the Beijing Young People's Economic Society, together with a hundred other units, sponsored a symposium on the theories and practices of the 10-year reform. Bao Tong provided many behind-the-scenes ideas.

The Institute for the Restructuring of the Economic System, an organ of the State Restructuring of the Economic System Commission in name, was run by the commission's vice chairman, Bao Tong, who often relayed instructions from Zhao Ziyang, and at one time, the institute did indeed provide Zhao with many suggestions and ideas. It could be referred to as Zhao Ziyang's "think tank" while he was premier. When Zhao became secretary general, those in the institute could not get along with the new premier, Li Peng. Li Peng had long wanted to get rid of the institute but could do nothing because Zhao was the general secretary after all. During the June 4 incident, the institute participated in a proclamation on the situation and openly supported the student movement, and inevitably, it fell victim to Li Peng. Chen Xitong and others accused Zhao Ziyang of using Bao Tong, and Bao Tong of using Chen Yizi, to become the "biggest black hands" behind the student movement.

In May 1989, when I was in Beijing, I heard of a rumor that it was Bao Tong who leaked the news of "differences" at the top.

The Hard-Liners Have Long Hated Bao

In fact, at the end of April [1989], when Zhao Ziyang was in North Korea, Bao Tong had been under surveillance by Li Peng and others. In the past, every time he attended a CPC high-level meeting, Bao did so in the capacity of political secretary of the Standing Committee of the Politburo. But at a high-level meeting held at the end of April, he was not asked to attend; he was not allowed to go through the drafts of all documents, and even his right to read the documents was taken away. On 28 April, he was secretly arrested.

Chen Yizi said that forces that were against reform and opening up in China hated Bao Tong with a passion and would find satisfaction only in his removal.

Wu Guoguang agreed with that statement. He said that after the Cultural Revolution, Bao Tong was among the forerunners who sought reform in China and embraced democratic ideologies and was the first to advocate putting the emphasis on criticizing feudalism. Meanwhile, because of his crucial position, conservative forces long regarded him as a key "bourgeois liberal element." As early as 1987, during the anti-liberalization movement, Hu Qiaomu [7579 0829 2606], Deng Liqun [6772

0500 5028] and others had wanted to investigate Bao Tong and put him on a list among people who might face expulsion from the party, a list next to the one containing the names of Fang Lizhi, Wang Ruowang, and Liu Binyan.

No doubt, besides taking part in and designing and promoting the restructuring of China's economic and political system, Bao Tong also made every effort to protect many people who were enthusiastic about reform, democracy, and modernization, including "liberal" publications such as XIN GUANCHANG, SHIJIE JINGJI DAOBAO, etc. and he also protected intellectuals like Yan Jiaqi [0917 1367 0366] and Yu Guangyuan [0060 0342 6678].

"Warrior Bao" Suffers In Prison

Reportedly, Bao Tong is still being held in Qincheng Prison in the northern suburb of Beijing. While the treatment of other political prisoners arrested along with Bao Tong has improved, his is the exception. He has been put in solitary confinement and four prison guards take turns watching him. Unlike other political prisoners, he is not allowed to return home, and for a long period of time, he was denied visits from even his family members.

Bao Tong is fed dumplings and cabbage and turnip. Because of malnutrition, he has lost a lot of weight and has grown weaker; his stomach problems continue to worsen, and his white blood count is also decreasing.

He is not allowed to read the newspaper, and every day he is forced to study *Deng Xiaoping Wenxuan* [Selected Works of Deng Xiaoping] and other materials. He was also told to write his confession, but so far he has not written a word. On average, he is interrogated once every 3 days, but so far he has refused to admit to any of his "crimes." When the interrogator barked that they had plenty of evidence, Bao sneered, "I have done nothing wrong. I have not violated any party discipline nor any state laws. Why are you interrogating me?"

Bao Tong is a fan of Hong Kong martial arts storyteller Chin Yung [6855 1661]. He once joked that he would start a "Chin Society." His close friends call him "Warrior Bao." We have long waited for a modern-day Tan Sitong, and Warrior Bao is a Tan Sitong-like figure who vigorously advocates reform. The only difference is they are from different eras. We believe that one day, Bao Tong will once again show off his great talents in China's political arena.

QIUSHI Discusses Marxism, Humanism

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[Article by Xing Benshi (6717 6321 1835): "Marxism Or Humanism?"]

[Text] Contemporary humanism is one of the most influential philosophical ideologies in the contemporary world, and many Western philosophers have openly stated that their own philosophy is humanism. Some have even confused humanism with Marxism and claimed that Marxism is essentially humanism. The influence of the humanist ideology is very broad and from some academic discussions in our country in recent years, we can also see the influence of humanism. Thus, clearly understanding the essential differences between Marxism and humanism and eliminating the influence of humanism has both major theoretical and practical significance.

I.

What is humanism? As the name suggests, it is a philosophical theory which has man as its standard. The roots of humanism in Europe can be traced back to the philosophy of ancient Greece. The ancient Greek thinker Protagoras said: "Man is the yardstick of all things, the yardstick for the existence of all things which exist and the yardstick for the nonexistence of all things which do not exist." This constitutes the earliest declaration of humanism. Modern European philosophy has even more tightly tied itself to humanism with an insoluble bond. The humanism of the Renaissance was a humanism stamped with the mark of the times. It brought the axis of the world down from heaven onto the earth and changed the master of history from deity to man. The issues of man's value, man's dignity, and man's free will became the central topics of discussion for humanism. The Enlightenment which followed the Renaissance promised to establish a kingdom of rationality, and that rationality would be used to judge the value of everything, appraise everything, and decide everything. Taking rationality as the standard was a form of taking man as the standard. The "Declaration of the Rights of Man," which was promulgated after the bourgeois revolution in France, was a political manifestation of the Enlightenment and essentially represented the interests of the bourgeoisie and constituted a form of humanism. A humanism which has had quite a great influence in modern European philosophy is the humanism of Feuerbach. The basic contents of this humanism are: Man is not the product of god, but the product of nature; man should not seek any god outside himself; man is man's own god and man is the highest essence of man.

Although there are some links in the origins of contemporary humanism and the humanism in the history of European philosophy, there exist very major differences between them. First, the historical backgrounds of their formation are different. If we ignore the sprouts of humanism which emerged in ancient times, we can say that the modern European humanism formed in a period when capitalism was on the rise, and it accorded with the needs of the bourgeoisie to oppose feudalism and theology. Contemporary humanism emerged in a period when capitalism had begun to decline; thus it is stamped with the mark of the bourgeois attitudes at the end of the century. Second, in terms of content, modern European

humanism holds high the banner of rationalism. Contemporary humanism generally does not explore the questions of the value and dignity of man, but rather explores the nature of the subject, and the nonrational elements of the structure of the subject. This has given it a deep hue of nonrationalism. Contemporary humanism can be said to be nonrational humanism.

Let us take Nietzsche's philosophy, phenomenology, and hermeneutics as examples.

In Western philosophy, Nietzsche appears with the features of an anti-traditionalist, and his anti-traditionalism was mainly manifested in opposition to the values of the Christian religion in the Western tradition. In the book "The Joyful Wisdom," he put forward the quite startling proposition that "God is dead." Nietzsche opposed the idea of will being the will of God and held that man had his own will—in particular, a will which transcended the self—which allowed one to become a powerful force. People were thus divided into upper and lower persons based upon the strength or otherwise of their will, and the supermen were those persons who had the strongest of such wills. Nietzsche raised this will to the position of the thing-in-itself and held that this was not only the motivation of all actions by people, but also that it could decide everything in the world. In Nietzsche's view, man's will and especially the superman's will, was the determiner of the world. Nietzsche's theory of the will is a sample of nonrational humanism.

The main goal of phenomenology is to establish a spiritual world of pure ideology. Husserl, a representative figure of phenomenology, held that the contents of this spiritual world were not the result of stimulating, reflecting, or reacting to the physical world, but rather involved the construction of a subject, and this activity of construction was carried out with the support of intuition. That is to say, if a person wants to obtain true knowledge, he should not seek it in things outside, but should seek within himself. This pushed the principle of subjectivity, which had been revered in European philosophy from Socrates to Kant, to the extreme. It differed, however, from the philosophies of Socrates and Kant in that phenomenology exaggerated the nonrational element in the structure of the subject.

Hermeneutics does not have a unified theoretical system, but the majority of the hermeneutists claim that hermeneutics is a humanist methodology which differs from natural science methodology. In their view, the natural science methodology mainly uses the cognitive form of judgment and through "reference" determines what something is and what it is not. For targets involving the humanities, they believe that this method cannot resolve the problems. The targets of the humanities cannot be uniformly described. Thus, the methods of the humanities cannot explain, they can only interpret, and therefore interpretation is the core of methodology in the humanities. As the situation of the subject varies in a thousand and one ways, interpretation differs with every person, and in the sphere of humanities, there

cannot be a common interpretation of any single target or of its meaning. This is very different from the situation in the natural sciences where people often come to the same sort of conclusion about a target. It can thus be seen that hermeneutics is a philosophy which limitlessly exaggerates the subject. One of the schools in Western aesthetics which has been greatly influenced by this philosophy is that concerned with the aesthetics of reception. This school of aesthetics stresses that the meaning of a work of literature or art can only be truly interpreted by the receiver (reader or viewer). The significance of such works lies not in what their creators wrote, painted sculpted, composed or performed, but in what the receivers interpret it as. A famous maxim from the German (Hans Robert Jauss), who is a representative figure in the aesthetics of reception, is: "The history of literature is actually a history of the reading of literary works." This reveals the essence of the aesthetics of reception and also reveals the essence of philosophical hermeneutics.

From the above, we can see that the so-called opposition to tradition in contemporary Western humanism is opposition to the rationalist tradition in the history of European philosophy. It is different from what happened in the Renaissance and the Enlightenment periods when bourgeois thinkers placed man's value, will, and esteem against spiritual value, will, and esteem. Rather, the spearhead of contemporary humanism is pointed at the rationality of man and at the scientific cognitive activities of man.

II.

When we talk about contemporary humanism, there is another trend which particularly draws our attention, and that is one which was produced within the worker's movement, but which was fanned by the bourgeoisie, and which tries to turn Marxism into humanism.

The attempt to change Marxism into humanism is an international ideological trend which has been going on for half a century and is still very influential today. At the end of the 1920s, Marx' "Paris Manuscripts" were discovered. In the beginning of the 1930's, (G. Landsgut) and (J.P. Mayer) of the German Social Democratic Party arranged and published these manuscripts as *Historical Materialism—The Collected Early Works of Marx*, Volume 1. In 1932, Soviet scholars rearranged the manuscripts and published them as Volume 3 of the international edition of the *Collected Works of Marx and Engels, with the formal title of The Economic and Philosophical Manuscripts of 1844*. Around the time of the publication of the *Manuscripts*, (Landsgut) and (Mayer) took the opportunity to engage in opinion molding. In 1931, (Mayer) published a report entitled "On Some Unpublished Works by Marx." Subsequently, (Landsgut) and (Mayer) jointly wrote a long article entitled "The Significance of Marx' Early Works in Reinterpreting Marx' Theories." Following this, (H. Marcuse), a representative figure in the Frankfurt School, published

"New Materials for Establishing Historical Materialism—An Explanation of the Newly-Discovered Manuscripts of Marx." Then (H. De Man), a leader of the Belgian Worker's Party, wrote a long article entitled "The Newly-Discovered Marx," which pushed this propaganda to new heights. After this, there appeared a trend throughout the world which, on the basis of the discovery of the *Manuscripts*, tried hard to raise the position of the *Manuscripts* to belittle the value of Marx' later works, and there appeared a trend which held that the *Manuscripts* proved that Marx was a humanist. This trend was also called "returning to young Marx."

All of the articles published about the *Manuscripts* had the following common characteristics: 1) They all held that the *Manuscripts* represented Marx' real thoughts and that they were representative works of Marxism. (Landsgut) and (Mayer) even called the *Manuscripts* "Marxism's revelation." (Marcuse) held that the discovery of the *Manuscripts* meant that the study of Marxism was "placed on a new base." (De Man) saw the coming to light of the *Manuscripts* as a "new discovery" of Marx. 2) They all affirmed that humanism was the central aspect of the *Manuscripts* and of all Marxism. (Landsgut) and (Mayer) held that Marxism was the humanism of practice, which stressed that "man is the highest essence of man." (Marcuse) also summed up Marxism as humanism and held that this humanism had specific realization of man's essence as its base, and that this specific realization of man's essence referred to "man's return or restoration to himself." It should be said that the aforementioned judgments by (Landsgut), (Mayer), and (Marcuse) are, in a way, similar to the contents of the *Manuscripts*. This shows that although the *Manuscripts* had generally transcended the humanism of Feuerbach, they still retained some vestiges of Feuerbach's humanism. It also shows that the young Marx was not mature and that the *Manuscripts* were works written in the process of Marx' transition from a humanist view of history to historical materialism, and were immature Marxist works. Claiming that the ideas in the *Manuscripts* are the core contents of Marxism or even that they represent the highest plane of Marxism, clearly violates the facts of history. (De Man) was even more blunt than (Landsgut), (Mayer), and (Marcuse). He pointed out that the ideas in the *Manuscripts* showed that this was a humanist Marxism, and that it is essentially different from materialist Marxism (meaning the Marxism represented in Marx' mature period). He held that with the publication of the *Manuscripts*, people could "use humanist Marxism to oppose materialist Marxism." This was the final conclusion of his article entitled "The Newly-Discovered Marx."

From this we can see that the trend which emerged in the early 1930's, on the basis of the discovery of the *Manuscripts* was actually a trend trying to turn Marxism into humanism. Some people used the humanist vestiges in the *Manuscripts* to force humanism onto Marxism, so as to achieve the aim of distorting Marxism and propagating humanism.

The clamor which occurred in the early 1930's as a result of the publication of the *Manuscripts* temporarily died down not long after with the outbreak of World War II. However, not long after the war, it made a comeback with a more powerful and intense vigor.

After the war, those who participated in the trend to change Marxism into humanism included not only social democrats and Western Marxists, but also existential and neo-Thomist philosophers and Catholic theologians. For example, the theologian and existential philosopher (E. Tier) in his work *The Humanism of the the Young Marx* asserted that the *Manuscripts* had a basic guiding thread and this thread was that Marx, when formulating his world view: "Raised man and the meaning of his life, that is, philosophical and sociological humanism, to the central position." The Neo-Thomist philosopher J.Y. Calvez, in his book *The Thought of Karl Marx*, held that the central idea in the *Manuscripts* was that "man is the sole meaning and sole reality of history." He even held that what the *Manuscripts* expounded upon was the following concept: Man is his own producer and creator, and the only reason man is man is that he produces man; man can only be explained in terms of himself and, apart from this, nothing else can explain man. These arguments were no different from those prior to World War II, which tried to use the *Manuscripts* to propagate humanism.

Over the last more than half a century this trend, which tries to turn Marxism into humanism, has not withered away. This is not because it represents any sort of truth, but rather because it reflects a need. This is a need of the Western bourgeoisie who are trying through this avenue to obscure the essential differences between Marxist and bourgeois ideologies and trying to emasculate the revolutionary spirit of Marxism in order to get Marxism to change into a bourgeois ideology.

In summing up the above, we can say that contemporary humanism can be divided into two trends: One is the non-rational humanism of contemporary Western philosophy, and the other is a trend which tries to turn Marxism into humanism. Today, these two trends have melded into one.

III.

The influence of the trend of contemporary humanism on our country's theoretical, and especially philosophical circles, must not be underestimated. Since the beginning of the 1980's, many of the hot topics in our country's philosophical circles have focused on the struggle between Marxism and humanism.

In the 1980's, a struggle between humanism and Marxism which lasted for five years focused on whether the Marxist view of history was humanist or historical materialist. Some also propagated the following view: The core of the Marxist view of history is man, its point of departure is man, and its point of return is man. Disregarding the history of the formation of Marxism and the essential differences between the Marxist view of

history and the various views of history in the past, including humanism and the theory of human nature, this view holds that man is the point of departure and point of return in the Marxist view of history. This is classical humanism and is a reflection, in domestic academic circles, of the international trend to try to turn Marxism into humanism.

At the same time, in recent years, there has appeared a *Manuscripts* craze in domestic academic circles. It is necessary to conduct research on the *Manuscripts* because their discovery occurred quite late, and it was even later that a fairly accurate Chinese translation appeared. Research on the *Manuscripts* in China started several decades later than in other countries (such as in the Soviet Union and Germany). However, there is a problem of orientation in the study of the *Manuscripts*. *Do we see them as early works in the history of the development of Marxism, works which shine with great genius, but were very immature, or do we follow some people in the West, who see these as the revelation of Marxism, as the pinnacle works of Marxism, and as a weapon to belittle the works of Marx' mature period?* Unfortunately, in some works which study the *Manuscripts*, it is the second viewpoint which has appeared. At the same time, should the study of the *Manuscripts* stress the exploring of the sprouting in the *Manuscripts* of some of Marxism's important ideas (such as the theory of "alienation of labor" as the precursor of the theory of "surplus labor"), or should we dredge up that content which was abandoned or even negated in the works of Marx' mature period (such as discussions of "alienation from human nature," the "return to human nature" and so on, which bear the stamp of Feuerbach's humanism)? Unfortunately, in some works studying the *Manuscripts*, the stress and the point of excitement is on the latter rather than on the former. This is undoubtedly an echo of that trend of "returning to young Marx" seen on the international level.

Accompanying the *Manuscripts* craze has been the "alienation" craze. Alienation, as a specialized philosophical term, should be studied. However, in research on the question of alienation in recent years, some writers have not followed the concept of alienation used in the *Manuscripts* when analyzing alienated labor, and have not even followed Hegel's view of alienation, which he held when discussing the natural world as alienation from the Absolute Idea, or the concept of alienation held to by Feuerbach when discussing god as the essential alienation of man. Rather, they arbitrarily changed the content of the term "alienation," which results in its misuse. This was most prominently manifested by some people, proceeding from various political needs, claiming that some abuses in socialist society, such as bureaucratism, patriarchal rule, corruption, and so on, were a result of "socialist alienation." Actually, these abuses in socialist society are all manifestations of the ideology of the old exploiting classes and not things which result from the development process of the newly-established socialist system. These abuses cannot be

tolerated by the socialist system, and overcoming these abuses will not only not weaken, but actually will consolidate the socialist system. The avenue for overcoming them is reform, through socialist self-perfection. At the same time, this must be assisted by powerful specific measures, but not at the price of abandoning socialism. If, as some people say, these abuses are so-called "socialist alienation," and are inevitable products and accompaniments of the process of socialist self-development, the logical conclusion must be that in order to overcome "socialist alienation," there is no option but to abandon socialism, just as in the past Feuerbach demonstrated that the only way to overcome religious alienation was to abandon religion. It is possible that those who uphold the "theory of socialist alienation," do not all advocate this conclusion, but every theory has a certain logical inference, and the logical inference of the "theory of socialist alienation" can only be that if one wants to overcome socialist alienation, it is necessary to abandon the socialist system.

Some of the people who like to talk about "alienation" regularly cite the views of some of the people in the Frankfurt School of Western Marxism (such as Marcuse) and Fromm). Certainly, these persons did use the concept of "alienation" in their own works. However, the "alienation" they spoke of was mainly in criticism of the distorted situation of man in capitalist society. In his book *One Dimensional Man*, (Marcuse) engaged in sharp criticism of the phenomenon of man ruled by machines and man manipulated by technology in capitalist society, and held that in such a situation, man becomes a "one dimensional man" who experiences one-sided development, has no spirit of initiative and no vitality, and that this constitutes the alienation of man. In his book *Beyond the Chains of Desire*, Fromm called the alienation of man which appeared as the result of the rule of man by matter in capitalist society, "self-alienation through the rending apart of the spirit." He also said that if god had already died at the end of the 19th century, in the 20th century it was man who had died. Although Marxism cannot agree with many of the ideas of the Frankfurt School, the criticism of capitalism on the basis of its "alienation," which was carried out by some people of this school, albeit not thoroughgoing, was still of positive significance. This cannot be compared with the efforts by some people in our country who want to use "alienation" as a weapon with which to attack socialism.

Since the beginning of the 1980's, that which has been called the hottest of the hot topics among philosophers has been discussion about "subjectivity." On the relationship between the object and the subject and between being and consciousness, Marxist philosophy has always held a clear judgment. Under the precondition of affirming that the object determines the subject and that being determines consciousness, Marxism has always placed great stress on the strong reactive role or nominally active role of the subject on the object and of consciousness on being. However, in discussions on the question of subjectivity in recent years, there has

appeared a view of the so-called "loss of subjectivity." The people who hold such a view believe that because Marxism excessively stresses the decisive role of the object and of being, it has led to the roles of the subject and consciousness being ignored, and they claim that they want to recover that lost subjectivity. According to the views of some people, the reason for the loss of subjectivity in recent years is the excessive use of mechanical determinism and the theory of direct perception reflection, and that the model of this theory is Lenin's *Materialism and Empirio-Criticism*. Some articles have wantonly attacked this famous philosophical text of Marxism. The problem is very clear. What these people oppose is not mechanical determinism nor the theory of direct perception reflection, but Marxist epistemology. They say that *Materialism and Empirio-Criticism* is the basis of mechanical determinism and the theory of direct perception reflection, and they say that Lenin's definition in that book that "cognition is man's reflection, depiction, and photography of objective reality" over-simplifies man's activities. It should be pointed out that the above-mentioned definition by Lenin is not the entirety of Lenin's view of epistemology, but just a point he stressed when debating with the Machists the question of the origin of cognition. In response to the Machist view that the source of cognition lay in the senses, Lenin stressed that the origin of cognition lay in objective reality and that cognition was a reflection of objective reality. As to the terms "depiction" and "photography," they were only synonyms for "reflection." What is wrong with saying that the source of cognition lies in objective reality and that cognition is a reflection of objective reality? Is it correct to assert that the source of cognition is the senses and that this source is constructed by the subject? If Lenin summed up the entirety of the issue of epistemology as the cognition of reflected reality, that would of course have been over-simplifying. However, Lenin did not do this. If one reads *Materialism and Empirio-Criticism* seriously, one discovers that Lenin did not ignore the subject in the process of cognition. Just looking at the above several words of Lenin and not at others, and ignoring the rich content of the entirety of Lenin's epistemology, taking words out of context and thereby distorting Lenin's view as mechanical determinism and the theory of direct perception reflection and then attacking it, and attacking the entirety of Marxist epistemology—this is the method of some people in discussing the question of subjectivity.

On the question of construction, Marxist epistemology does not deny the role of construction by the subject in the process of cognition. The question is, what sort of construction is it? Is it construction by the subject under the precondition of affirming that the subject is determined by the object and that the source of cognition lies in objective reality, or is it construction by the subject where this precondition is ignored. Marxist epistemology, under the precondition of affirming that man the subject gains a large amount of experiential material from the objective outside world through practice, affirms that the subject engages in a very complex

process of transformation of the large volume of materials and information that is obtained from the outside world. Only through this process can this huge and complex volume of material from the outside world be raised to systematic and regulated knowledge. The volume of materials and information this cognition contains is less than the original volume, as it has been filtered and selected by the subject. However, in quality terms it is of a much higher level. This is the way Marxism understands the subject to play a constructive role. Mao Zedong's statement that "the brain is a processing factory" also had this meaning. However, for many people, "construction" does not have this meaning. What they revere is Piaget's "theory of construction." Piaget was a contemporary Swiss psychologist. His "genetic epistemology" has some positive content which is worthy of our reference. However, Piaget's "theory of construction" is a dualist, essentially idealist, theory. He stressed that cognition does not have its roots in the object or in the subject, but in the mutual roles of subject and object. He placed the process by which the subject obtains materials and information from the world outside the cognitive activities of man, and held that this was, at most, "precognition." He saw the starting point of cognition as the mutual roles of subject and object. Excluding the objective source of cognition and stressing the mutual roles of subject and object means that only the subject has a "role in construction," and that this is a unidirectional activity by the subject. This dualistic, essentially idealistic, epistemology has been lauded to the heights by some people, and they see it as a theory more brilliant than Marxist epistemology. What is this if not a biased view?

Further, in recent years, a viewpoint which exaggerates to the extreme the constructive role of the subject has appeared. This is the "theory of inner-universe determinism" put forward by some people in literature and arts fields. According to this view, "literature and art are deep-level spiritual subjectivity," and their essential characteristic is their "full subjectivity and transcendence." Works of literature and art do not have their origins in life (the so-called external universe), but derive from the inner world (the so-called inner universe) of the subject (the writer). The course of literary and art creation should not be from external to internal, but should be from internal to external. Only by excluding the influence of and interference from the external universe, so as to guarantee the tranquillity and purity of the subject's inner universe, can the writer gain "great freedom" within, can the imagination and creativity of the writer continually surge forth, and can outstanding and enduring works be created. The inventor of the "inner-universe determinism" has exaggerated the tension of the inner world of the writer to this degree. He said that all that is necessary is to open the door to the writer's inner universe and then this subject, which has "super-normal wisdom," "super-normal character," and "super-normal historical insight" will, like "god who overcomes all and controls all," release his love and will "spread all of the most wonderful things in his spiritual world to

society and to all mankind and will have a major effect on the external universe." Where is this speaking of the role of construction by the subject! These are clearly purely idealist ravings.

The above are some of the hot topics under discussion in academic circles in recent years. From these, it is not difficult to see the influence of the ideological tide of humanist philosophy on our country's academic circles. If we say that in the discussion of the questions of humanism and alienation, the efforts to change Marxism into humanism are quite marked, in discussion of the question of subjectivity, the influence of Western non-rational humanism is even more marked. Regardless of which situation we speak of, both use humanism as a weapon in order to challenge Marxism.

IV.

The divergence between Marxism and humanism cannot be simply summed up as a struggle between academic concepts. Rather, it involves an acute struggle in the ideological sphere. On the surface it appears that the question being discussed is how to look at the questions of humanism, alienation, and subjectivity. Actually, however, this involves the basic attitudes of Marxism. If, in accordance with some people's views, humanism becomes the essence and core of Marxism, the role of the subject will be able to transcend objective conditions and objective patterns and literature will not have its origins in life but in the "internal universes" of writers, and so on. Then, what Marxism will there be to speak of? There is no doubt that this debate involves the question of whether we are going to abandon and negate Marxism, or whether we are going to uphold and develop Marxism.

The spreading of the ideological tide of humanism in our country in recent years has, on the one hand, been influenced by international trends, but, on the other hand, is related to the domestic microclimate of ideological dilution produced by the relaxing of ideological and political work by some former leading figures in the party. In such a situation, with the flood of the tide of bourgeois liberalization, policies which attacked Marxism as "outdated," "old," and "backward" came into vogue, all sorts of non-Marxist and anti-Marxist philosophical and social science theories were current and Western world views, historical views, moral values, and views on life spread like wildfire. This formed the basic situation on the ideological front. It was this situation which encouraged some people to wantonly propagate humanism and be impatient to replace Marxism with humanism. The ideological tide of international humanism has existed for quite a long time. However, only when the climate and soil suited to its spread appeared in China could it make a forward push, join together with erroneous ideological tides within the country, and stir up wave upon wave of trouble. That is to say, whenever our ideological and political work is quite strong, and problems in the ideological sphere are grasped in a timely and powerful way, the various antagonistic ideologies of the West could not enter, or,

even if they entered, they met powerful resistance, and there were no serious effects produced. Meanwhile, whenever our ideological and political work is quite weak and there exists a dilution of ideology, the various antagonistic ideologies take advantage of this and enter our country and produce serious situations. It is natural that on the international level there exist various ideologies which are antagonistic to Marxism. This is because class struggle still exists internationally and the struggle between the two systems of socialism and capitalism still exists. Thus, there inevitably exists struggle between Marxism and anti-Marxism. This is nothing to be afraid of. What we should fear is the ignoring of and apathy to this struggle in the ideological sphere; if we do not, then when a serious struggle is at hand, we will have no combat capacity.

Marxism must certainly be developed. In its development, we must draw nourishment from our country's outstanding cultural traditions as well as fine foreign cultural traditions. All beneficial things in these cultural traditions we can use for reference. However, with respect to those ideologies which are, on the world and historical view levels, antagonistic to Marxism, we must bring into play Marxism's spirit of revolutionary criticism and engage in open and clear-cut criticism of them. Of course, such criticism must not be doctrinaire and must not be simplistic and crude. Rather, it must be based on scientific analysis. This is the case with respect to humanism and also the case with respect to other mistaken ideologies.

It should be recognized that using Marxism to overcome humanism is an arduous task. This is not only because the ideological tide of humanism has taken deep root in our country's academic circles, but also because this ideological tide has already infiltrated literature and art circles and become a powerful ideology in them. In these circles, there are many works which propagate an abstract theory of human nature and humanism, and in recent years there have often appeared works which propagate the view that the value of the self is higher than all else. Also, in some works and film and television programs from abroad, these tendencies are particularly marked. Literature and art are a major sector of the ideological sphere and the spread of literature and art works, especially film and television works, is very broad. That which literature and art workers advocate and that which they oppose can play a guiding role and can even transcend theory.

The struggle between Marxism and humanism will be a long one. During this struggle, we must maintain special vigilance against people who dress up humanism as Marxism and use Marxist terminology to cloak humanism. In the discussion on humanism and alienation, did not someone claiming to be a creative Marxist come to the conclusion that the essence and core of Marxism is humanism? On the basic question of historical viewpoint, if a person does not uphold historical materialism and instead uses humanism and the theory

of human nature to stealthily replace historical materialism, then no matter how high they hold the Marxist banner, and no matter how loud they talk in Marxist terms, it is not Marxism, but only humanism.

In the struggle, we must also be vigilant against persons who, under the banner of opposing mechanical determinism, the theory of direct perception reflection, and fatalism, actually advocate humanism. We must certainly oppose mechanical determinism, the theory of direct perception reflection, and fatalism. The question is how we are to oppose them. If people equate the basic principles of Marxism with these things, and thus oppose them; ignore objective material existence and objective patterns; and arbitrarily exaggerate the role of the subject in construction, selection and creation, then no matter how high they raise their banner of opposition, and regardless of which innovator's garb they appear in, what they will be advocating will not be Marxism, but only humanism.

BAN YUE TAN Calls for Emancipating Minds

*OW2704171492 Beijing BAN YUE TAN in Chinese
No 4, 25 Feb 92 pp 10-11*

[Semimonthly commentary by staff commentator: "Further Emancipate the Mind"]

[Text] As China enters the Year of the Monkey, the new tide of emancipating the mind is repeatedly pounding the divine land. The tremendous momentum of reform and opening up seems to coincide with China's craving for "climbing high in the Year of the Monkey," injecting in us a confidence and hope for scaling new heights.

This is by no means coincidental. On one hand, it is required by the pressing need for meeting the challenges of international vicissitudes as well as for accomplishing the onerous task of domestic construction. On the other hand, Chinese society is becoming increasingly stable with each passing day—improvement in the economic conditions and a turn for the better in the international environment have made it possible for us to bring about greater stability.

On the basis of a correct assessment of the situation, the CPC Central Committee and State Council adopted the major policy decision of emancipating the mind, deepening reform, opening up wider to the outside world, and concentrating our energies on developing the national economy. Quotations of recent speeches by central leading comrades, compiled by the editorial department and published in the current edition of this journal, fully reflect this point.

Nineteen ninety-two is the second year of the 10-Year Program and the Eighth Five-Year Plan for National Economic and Social Development. The situation requires us to emancipate our minds. However, some comrades have yet to sufficiently emancipate their minds; burdened with all sorts of ideological loads, they are unwilling to take steps forward. It is hoped that the

readers will earnestly read the speeches by the central leading comrades, and reach a common understanding in line with the central policies.

To get a good grasp of the primary contradiction in China, we must get rid of muddled ideas and further emancipate our minds. Since the socialist cause has suffered setbacks in some socialist countries, hostile forces in the West are stepping up their strategy of "peaceful evolution." Some comrades who do not have a clear understanding of the primary contradiction in present-day China become skeptical and begin to waver in their faith. It is quite understandable. As a matter of fact, the primary contradiction at the present stage is still the contradiction between the daily increasing material and cultural demands of the people and the backward social production. The fundamental way to solve this contradiction is to develop the productive forces. If we are to hold our ground in the complicated and volatile international struggle, we must develop the economy quickly through reform and opening up. On this question we must expel misgivings and emancipate our minds, for vigorous development of the social productive forces is not just an important economic issue; it is also important politically as a means to foil the schemes of the hostile forces and to hold our socialist ground.

We should approach socialism from the perspective of reform. Socialism certainly should be upheld. However, the lessons of the past told us these good intentions of "upholding" are not nearly enough. Today reform and opening up have developed to the point where we can no longer view calmly and indifferently such shortcomings as blind stress on "the size and degree of public ownership," the "iron rice bowl," and the rejection of the commodity economy. Nor can we repudiate without exception the good experience and methods accumulated in the course of capitalism's development, upon which we can draw. We all ought to know that socialism, like any other social system, is not immutable. We should view it as a constantly progressing and changing society, should emancipate our minds, and should have a clear understanding on this point: Under the socialist system, any move that is conducive to the development of the productive forces, the national economy, and the improvement of the people's livelihood is conducive to socialism and therefore should be supported and protected.

To eliminate fear of difficulties, we must emancipate our minds. As we are currently faced with many difficulties, if we continue to follow the old way of thinking, we will feel that we are beset with difficulties and at our wit's end. Comrades who fear difficulties should make a comparison between their areas and advanced areas: Under similar conditions, why have their areas lagged behind and why do they only moan and not do anything about it? Why have other areas been successful in their work and why have their own areas failed to take various actions? The progress that has been made in Henan Province after it freed itself from the shackles of "the inland concept," and the vitality of the large- and

medium-sized state-run enterprises in Shanghai and Heilongjiang after they transformed their operating mechanisms make clear to all: You will find many ways out if you think, and the horizon will be broader if you emancipate your minds.

After seeing from their experiences of the past 10-plus years how reform and opening up to the outside world have made the country strong and the people well off, the masses of cadres and people at the grass-roots units have increased their confidence in reform and opening up to the outside world. Leading comrades should distinguish between what is primary and what is secondary, adroitly guide actions according to circumstances, and try to make people understand this: Further reform and opening up to the outside world may bring about some new contradictions, but as more contradictions are solved, the country will become strong, the people will become well off, and the socialist motherland will enjoy long-term stability on a new basis.

The movement to emancipate minds started at about the time that the Third Plenary Session of the 11th CPC Central Committee freed people from the shackles of old concepts, and the tides of reform and opening up to the outside world that followed injected vitality into our national economy and social development. This is a fact known to all. As there is no end to knowledge, there is no end to the emancipation of minds. It should continue in accordance with the changing circumstances. At a time when difficulties, hope, danger, and opportunity exist simultaneously, further emancipation of the mind will more effectively accelerate the pace of reform and opening up to the outside world, increase China's economic strength, and enable our socialist cause to achieve more fruitful results in the course of implementing the 10-Year Program and the Eighth Five-Year Plan. This is quite predictable.

Let us emancipate our minds, get rid of the ideological burden that hampers us from realizing the four modernizations construction and invigorating the Chinese nation, advance without obstruction, and open up the promising tomorrow!

Socialism, Peasant Property Ownership Discussed
92CM0260A Beijing XINHUA WENZHAI [XINHUA
DIGEST] in Chinese No 1, 25 Jan 92 pp 51-53

[Article by Liu Wenpu (0491 2429 3877) of the Rural Development Institute, Chinese Academy of Social Sciences: "Socialism and Peasant Property Ownership Rights"; originally carried in ZHONGGUO NONGCUN JINGJI No. 11, November 1991]

[Text] As far as property ownership relations are concerned, rural reform in China means, first of all, ending the monopoly of the public economy and establishing a structure dominated by the public economy while featuring multiple coexisting economies as well. Second, it means reforming the property relations, management

methods, and operational methods within the cooperative economy itself so as to better adapt it to the reality in rural productive forces. The latter is more significant than the former because it will turn a dominant economy into an effective economy. The introduction of the household responsibility system of linking remuneration to output across the nation in the early 1980's was a success story in this area. Another crucial experiment is so-called shareholding cooperation, which has been taking shape all over the nation in recent years.

There are two routes to shareholding cooperation. In the first scenario, an existing rural collective enterprise adopts some elements of the shareholding system. In the second scenario, the private economy and the individual economy join hands. In the former, the problem is to sort out the ill-defined property rights relations in the collective enterprise and the problems that flow from it in property relations, management methods, and distribution methods. In the latter, the challenge is to guide these non-socialist economies to develop in the direction of the socialist cooperative system.

Shareholding cooperation can take myriad forms and shapes, all of which not only contain certain features of the cooperative, but also display some of the characteristics of the old-fashioned partnership system, the shareholding system of the modern capitalist society, and even a measure of hired labor relations. At the same time, we cannot judge it using solely the theory and principles of the cooperative or those of the shareholding system. It is a hybrid system, being neither fish nor fowl. The essential difference between the shareholding cooperative system and the typical socialist cooperative based on joint labor (including the collective economy that China practiced for years in pre-rural reform days) is that the former is based exclusively or primarily on the private ownership of means of production.

It is of enormous practical significance that the shareholding cooperative system recognizes and protects the peasant's right to own property as well as his right to participate in distribution. China is a country where the level of productive forces is still quite backward. In the countryside, in particular, fund shortages and insufficient government investment will continue to crimp economic development. An enormously useful policy will be to establish a kind of enterprise that can effectively boost the peasants' enthusiasm to invest and even convert some consumption funds into production investment.

Take Wenzhou, for instance. Located far from large cities and lacking the advantages of southern Jiangsu and the outskirts of other large cities, Wenzhou has seen its rural collective industrial enterprises develop rapidly with the aid of urban state industrial enterprises, thereby keeping the rural economy and the peasants' living standards at a relatively high level. During the period of socialist construction in the last few decades, Wenzhou, being on the frontline, received scant state investment. Even after China embarked on reform and opened itself

to the outside world, Wenzhou was not a priority investment area for the state because of its inaccessibility and lack of resources, so its state enterprises were not on solid ground. The handful of state enterprises in the primary sector were even weaker. Most of them operated on a small scale with obsolete equipment and a meager capacity for self-development. Unlike their counterparts in other large cities, they could not serve as an engine of rural development. In addition, a huge population puts enormous pressure on the land, reducing the amount of land available per capita to the absolute minimum. Where could one start developing the economy of such an area? A realistic answer: Make the most of commerce and the household handicraft industry, a traditional strength. Develop small commerce and the cottage industry with the help of the peasants' own funds and resources. Develop shareholding cooperative enterprises jointly to speed up the transformation of the rural production structure and improve the economy rapidly. According to statistics on the city, state investment in Wenzhou totaled just 559 million yuan between 1949 and 1978 and was almost the only social investment at the time. In the 1980's, investment picked up significantly and the investment mix, too, began to change. What used to be exclusively state investment is now replaced by a mix of state, collective, and individual investment, with the last gradually exceeding the first two as individuals become the principal investors. During the Seventh Five-Year Plan, for instance, social fixed assets investment in the entire city amounted to 7.5 billion yuan in all, of which state investment accounted for 29.1 percent, collective investment 12.5 percent, and private (including housing construction) investment 54.3 percent. Studies show that in 1991 the combined savings of urban and rural residents exceeded 3.2 billion yuan, a formidable figure that was 3.6 times the city's total revenue (889 million yuan) in 1990. Over the past few years alone the peasants spent hundreds of millions of yuan to pay for shares in the more than 20,000 shareholding cooperative enterprises in the city. It is thus clear that encouraging peasants to invest in production has inestimable significance for local economic development. In this sense, Wenzhou's shareholding cooperative experience has universal implications.

Within a cooperative, it is not a violation of the basic tenets of Marxist cooperative theory to recognize the peasant's right to keep the property (including means of production) that he has brought into the cooperative. In Marxism, the cooperative is a means to guide small production onto the path of socialism. As for the nature of the cooperative, classic Marxist texts have always described it as the intermediate form that prevails in the transition from capitalism to communism. This characterization would help us understand the so-called "impure" elements inherent in the cooperative of the initial stage of socialism, such as the private ownership of means of production, non-labor incomes, the use of hired labor, and so on. Since it is an intermediate form, it must be transitional. On the one hand, the new economic base (such as the public ownership of means of

production, distribution according to work) is already in place. On the other hand, hemmed in by the underdevelopment of productive forces, the cooperative cannot be totally pure. It is not only inevitable, but sometimes downright necessary, for the cooperative to keep some of the elements of the old society.

Marxist teaching about transforming the small farmer is well known. It is argued by Marxists that to lead the peasant onto the path of socialism, the first thing is to convert private production and ownership by the peasant into cooperative production and ownership. But the peasant's property must not be expropriated with or without compensation and regardless of what form such expropriation may take. Instead, we must fully respect his property ownership right and strictly abide by the principle of voluntary participation in a cooperative. Even in a situation where cooperative production and ownership has been realized, we must not instantly proclaim the peasant's property to be public property. What we should do is to continue to recognize the peasant's private property ownership right and convert means of production into social property by changing the methods in which such means of production are owned and used. The cooperative plan drawn up by the Danish Socialists, much admired by Engels, took just such a form. "The peasants of a village were to pool their land to form a single big farm in order to cultivate it for common account and distribute the yield in proportion to the land, money, and labor distributed." (Footnote 1) (Engels, *Peasant Question in France and Germany*, in *Selected Works of Marx and Engels*, Volume 4, p 310) It is worth pointing out that even in the case of middle and big peasants, Marxism does not advocate forcible expropriation. Instead, Marxism calls for including them in the cooperative and gradually abolishing the exploitation of hired labor within the framework of the cooperative. It is thus clear that in the Marxist vision, the cooperative system under socialism is not diametrically opposed to or totally incompatible with the peasant's right to own private property, at least in a specific stage in history.

When all is said and done, it is the state of productive forces, not man's objective wishes, that will determine the form of operation of a cooperative or the property and distribution relations within a cooperative. For instance, there were striking differences between Lenin's cooperation theory and that of Marx and Engels. In Russia, Lenin was confronted with an agriculture more backward and patriarchal than, and therefore significantly different from, the village Marx and Engels had been studying. In the early days, Lenin attempted to use the unique set of social and economic conditions in Russia to introduce a full-fledged collective economy (where all means of production were publicly owned, where labor, operations, and distribution were centralized) but not with the anticipated results. Because of this and the destruction caused by the war, Lenin was forced to beat a "retreat," an important part of which was the introduction of the new cooperative system. In the new program, the cooperative would not interfere with the

peasants' right to own private property. Not only that, but it also would not touch the forms of production and ownership by peasants. Instead, the cooperative was to specialize in buying and selling and would serve as a bridge bringing together the scattered small peasants, on the one hand, and large centralized socialist industry, on the other. This was what Stalin later called "the household agricultural system in state socialist mass production." (Footnote 2) (Stalin, *On the Basis of Leninism*, in *The Question of Leninism*, p 49) This cooperative system was new in that it was different from the collective economy existing at the time. As a matter of fact, if we leave aside the feature of the cooperative inherent in social system, the kind of cooperation envisioned by Lenin hardly represented any advance over its counterpart under capitalism. More specifically, Lenin was using the form of cooperation bequeathed by capitalism. And the capitalist cooperative did not interfere with the peasant's property ownership rights, with few exceptions. Lenin's cooperative was intended to be the only the first step in the transformation of the small peasant. But he overestimated its importance, saying, "It is still not the building of socialist society, but it is all that is necessary and sufficient for it." (Footnote 3) (Lenin, *On Cooperation*, in *Selected Works of Lenin*, Vol 4, p 682)

Everybody knows what Marxism has to say about not expropriating the small peasant, but go over the history of the transformation of the small peasant in socialist countries and you will see that such expropriation was common and often a major root cause of low productivity and tension between the state and peasants. What usually happened during the cooperative movement was that the peasants' properties (including land and other means of production) were simply pooled and declared to be publicly owned right away, with or without compensation. When non-economic factors were deeply involved, it was often difficult to draw a clear line between voluntary participation by peasants in the cooperative movement and expropriation. Basically, the problem is that we have interpreted socialist public ownership too rigidly. Socialist public ownership is not simply a concept of production relations. It also refers to advanced production relations based on fully developed productive forces. The establishment, creation, and improvement of socialist public ownership is a process that accompanies the full development of productive forces. If you think you can establish a socialist system simply by pooling all the peasants' existing (and often pitifully meager) properties mechanically and proclaiming them to be under public ownership, you are oversimplifying socialism.

One other point: The error of the ownership theory is another reason why we have not been able to handle the peasants' private property ownership issue correctly. Conventional wisdom is to put the ownership theory at the heart of relations of production, which is fine except that we often only think of the legal forms of ownership and do not perceive it as the sum total of relations of production. According to Marxism, what is important is

not the legal form of the ownership right of means of production, but the forms in which such means of production are used. Only the latter constitutes the true base for a particular mode of production. The history of modern economic development is replete with examples of the separation of the ownership of means of production from the right to use them. By departing from the Marxist way of looking at the ownership question, one ends up regarding private property ownership by peasants under any circumstances as an insurmountable obstacle to the development of socialist relations. The most obvious example is the way the elementary agricultural producers' cooperative was judged. The elementary agricultural producers' cooperative preserved an individual's right to own land and other means of production. For this reason, it was deemed incomplete, elementary, and semi-socialist. This point became the theoretical base for the transition of the cooperative from a so-called elementary to advanced form.

If we look at the issue realistically from another angle, however, it becomes an entirely different matter. The presence of private ownership does not hamper the development of socialist relations of production. Nor will it constrain the development of productive forces. On the contrary, these days it may even expedite the development of both. Here let us do an analysis of the several forms of shareholding cooperation in Wenzhou. In the first form, all workers are shareholders. There is no worker who is not a shareholder, and no shareholder who is not a worker. These enterprises are established and operated through joint investment, joint labor, and joint management. They can be subdivided into two groups, depending on the method in which they are constituted. In the first group, the workers buy shares when the enterprise is set up. The number of shares a worker offers to buy may vary, but not by much. So the workers own more or less an equal number of shares. This is the most typical shareholding cooperative enterprise. In the second group, a shareholding enterprise comes into existence when an existing private enterprise sells shares to its employees and workers. If the enterprise distributes the bulk of its earnings in accordance with the principle of "to each according to his work" and limits the amount of dividends paid out, it would then be hardly distinguishable from the cooperative or even the collective economy previously in existence in China for so many years. We may say this kind of enterprise is based on joint labor.

The second form of shareholding cooperation takes the form of "headquarters-branch factory," usually formed when households, joint enterprises, and self-employed individuals come together and join forces. In such an enterprise, the individual retains ownership of his property and production is decentralized. The enterprise practices independent accounting and is responsible for its own profits and losses. The several households

involved contribute funds to build a headquarters to perform specific functions, including management. This form of enterprise is the typical outcome when individual producers join forces. In a situation like this, although individual household management survives almost intact, some of its functions have become the functions of the cooperative and the individual households are no longer an independent producer but are now an organic part of the cooperative. By standardizing the trademark, product specifications, and quality standards, the cooperative achieves technology scale production. The loose integration of household industrial enterprises, therefore, not only suggests that the individual economy has taken the first step toward the cooperative economy but also signals that small production has taken the first step toward scale production. While this method of cooperation does not amount to full classic socialism, it is an economic form that is socialist in nature. The most apt analogy seems to be the family industry under capitalism (particularly the early phase of capitalism.)

The third type of shareholding cooperation is shareholding management. The shareholders of an enterprise invest in proportion to the number of shares they hold. The enterprise hires workers to operate it. This is certainly a private enterprise. However, it has some socialist elements in that it limits the amount of dividends paid to the shareholders, mandatorily sets aside some money to be put into the expanded reproduction fund and prohibits the transfer of money from the fund, and collects enterprise accumulation fund, welfare, and bonus fund. The result is an economic form that both features hired labor and displays the characteristics of a cooperative economy. For this reason, it can be considered an intermediate form in the transition from private enterprise to cooperative enterprise. Needless to say, the end product can be any one of a number of things, from a private enterprise with some elements of the cooperative economy to a cooperative economy with some hired labor, depending on the fortunes of the cooperative economy. In any case, it suggests that the private enterprise has taken a step forward on the road to cooperation.

We can see from the above that no matter what form shareholding cooperation takes, private property ownership right is fully recognized and protected. This, however, has not slowed down the development of production. Nor has it affected the maturing of socialist relations in all its variety.

On the one hand, we must actively guide the private economy and individual economy to develop in the direction of socialist cooperation. On the other hand, we must take care not to expropriate private properties, which will hurt the development of productive forces. The crux of the problem is to find a point where the two meet. Herein lies the immense significance of the experiment in shareholding cooperation in Wenzhou (and elsewhere).

NATIONAL AFFAIRS, POLICY

Academics on Progress of Reform, Opening Up

HK1205070792 Hong Kong CHING CHI TAO PAO
in Chinese No 15, 20 Apr 92 pp 16-17, 18

[Article by Beijing-based staff reporter: "Problems in Reform Remain With Emancipating the Mind—Remarks by Famous Chinese Academics (continued)"—first two paragraphs are CHING CHI TAO PAO introduction]

[Text] Issue No. 2261 of this magazine published remarks expressed by famous Chinese academics at a seminar sponsored by GAIGE [REFORM] magazine. This publication has evoked strong interest in Hong Kong and overseas. This issue will publish speeches by four of the academics at the seminar.

In addition, the GAIGE editorial department and the Chinese Society for Research on Enterprise Reform and Development sent a letter to us 10 April saying that some academics who were absent from the seminar had already asked for leave and promised to submit written speeches. Ma Kai was late instead of being absent.

Raising Development of NonState-Owned Economy to Strategic Position

(Fan Gang, researcher at the Economic Institute of the Chinese Academy of Social Sciences)

China's reform is now in very favorable conditions. There is food in the refrigerator, the shelf is full of commodities, the economy is developing, and society is stable. But if we do not seize these favorable conditions, unstable factors will increase.

The formation of a market system needs market prices as the main body. State-owned enterprises cannot constitute this main body very soon. Many ideas on invigorating state-owned enterprises boil down to delegating powers to lower levels and allowing more profit retention for them. These old ideas cannot solve the problem. Now, some people have proposed the implementation of the shareholding system. But whether or not it can change the characteristics of the former operational mechanism of state-owned enterprises remains to be seen. In addition, there are also invisible systems apart from those visible ones. It is easy to reform visible systems but hard to reform invisible systems. These invisible systems must be broken. There will be a lot of obstacles and resistance and it will be very difficult to break them. At present, the biggest recipient group of immediate interest in China is composed of those people who "eat from the big pot of the state." It is difficult to even touch their interests!

In my opinion, under present conditions, there is a need to develop actively the nonstate-owned economy to stimulate all reform, including reform of the state-owned economy. At present, the nonstate-owned economy has a

stronger market nature than the state-owned economy. During economic overheating, it can restrict itself comparatively; and during economic cooling, it can scrap what should be scrapped, thus playing a stabilizing role under certain conditions. Our achievements in the last 10 years of reform, the formation of the market economy, and the prosperity of the coastal economy are all attributable to the nonstate-owned economy. Therefore I believe the development of a nonstate-owned economy will stimulate reform in the following period. We should consider the following and make appropriate adjustments in our reform strategy: On the one hand, reform of state-owned enterprises should be speeded up, and, on the other, the development of the nonstate-owned economy should be put in a strategic position and entered in laws, regulations, and commentaries as an organic part of socialism with Chinese characteristics. An appropriate adjustment should be made to encourage its development.

Socialism and Market Can Accommodate Each Other

(Jiang Chunze, researcher and deputy director of the Foreign Economic Structural Section under the State Structural Reform Commission)

Now, only a few socialist countries remain in the world. Of these countries, China's reform may be said to be the best. This should mainly be attributed to Deng Xiaoping's correct line and also suggests that the planned commodity economy—the mode for fulfilling reform targets—is correct.

The essence of the traditional socialist economic structure, namely the centralized planned economic structure, takes the elimination of the market as its ideal target. Practice has proven that this is a fantasy. With one of the two hands cut off, this structure may be described as being not well developed [fa yu bu quan 4099 5148 0008 0356]. Mobilization [diao dong 6148 0520] by administrative orders with a "visible hand" [you xing de shou 2589 1748 4104 2087] but without an "invisible hand" [wu xing de shou 2477 1748 4104 2087] cannot make us operate on the basis of economic laws. The 70-year history of the Soviet Union suggests that this structure can only undergo a process from incomplete development to functional exhaustion [you fa yu bu quan dao gong neng shuai jie 3945 4099 5148 0008 0356 0451 0501 5174 5905 4550] and from fantasy to final collapse.

Because the traditional structure takes the elimination of the market as its ideal target, every time socialist countries use the market and the relationship between commodities and money it is regarded as a painful choice instead of as an inherent need and necessity of the socialist economy. It is regarded as a "concession policy" and a temporary retreat to free themselves from social and economic crises facing them. The New Economic Policy practiced by the Soviet Union in the 1920's was regarded as an expedient policy.

Not long ago, some people said that changes in the Soviet Union and East Europe were due to the proposal of a

transformation towards the market. As a matter of fact, this is a misunderstanding. After Chen Jinhua took charge of the Structural Reform Commission, we compiled two kinds of material. One was about plans and markets, which, taking account of historical facts over the last 100 years or so and taking a lateral view of the whole world, explains that planning and markets are neither fundamental characteristics differentiating two social systems nor a watershed differentiating two ideologies. The other was about changes in the Soviet Union and East Europe, which explains that these changes were not due to the transformation toward the market but were because of extremely deficient market development [shi chang de ji du bu fa yu 1579 1034 4104 2817 1653 0088 4099 5148].

Even after the final collapse of the Soviet Union, Gorbachev and others did not understand that socialism and the market can be made compatible. Without a market, there can be no competition, no technological progress, no economic growth, and no trust from the masses. In the end, they abandoned socialism and the traditional economic structure.

Deng Xiaoping has provided a good explanation on the compatibility between socialism and the market, proposed the theory of the planned socialist commodity economy, and pointed out that plans and markets are both means. This is a great contribution and has helped bring about a leap from idealist socialism to scientific socialism in the economic sphere.

Rural Reform Is Facing Important Choice

(Zhang Wenbao, deputy director of the Policy Research Office under the Ministry of Agriculture)

The formulation of the document for the Eighth Plenary Session of the 13th CPC Central Committee was not easy. It took arduous efforts. After the Eighth Plenary Session, someone telephoned me asking why these academics could not propose ideas! Everyone felt unhappy with this and I felt sorry. The background against which we drafted the document was the 18 September [date as published] event and not Deng Xiaoping's remarks during his inspection of South China. There is a world of difference between these two backgrounds. Even so, the final decision of the Eighth Plenary Session was quite good.

When drafting the document, we only talked about giving socialist education to the peasants. Subsequently, floods broke out. We added irrigation construction and building grass-roots organizations. The final manuscript comprised 10 parts and 40 points summing up all aspects of rural reform and development. This involved judgments on rural reform and development.

In the beginning, quite a number of people said that the economy had developed in the 10 years of rural reform but that a socialist position had been abandoned. They proposed using socialism to occupy rural areas. This was

a proposal from the 1950's. Some people even impassioned said that there are robbers everywhere now in rural areas.

This judgment is obviously not correct. So we revised the part on tasks and proposed carrying out education in rural areas on loving the party, loving the country, and loving socialism to replace "using socialism to occupy rural areas." The higher authorities took serious account of this process and fully discussed it several times.

Now, rural reform faces a very important choice: adjusting the rural ownership structure and reforming the form for realizing the collective ownership system. A present, township and town enterprises are calling for the protection of the proprietary system, and a shareholding system is taking shape. Of course, this is quite elementary and quite unstandardized. Suzhou, Wuxi, and Changzhou entrepreneurs have a strong demand for the implementation of the shareholding system. We are studying the shareholding system and the shareholding cooperative system. In my opinion, the blood [5877 3210] of the Wenzhou mode should be injected into the township and town enterprise mode in southern Jiangsu.

Not a Little Price Has Been Paid for Every Step

(Zhu Tiezhen, member of the compilation committee for the "Chinese Urban Economic and Social Yearbook")

I would like to talk about an ideological subject—further emancipating the mind is the key to speeding up reform.

First, theoretical circles took the lead in the previous ideological emancipation movement. It is the other way round now. Localities and departments engaged in actual work are very lively [huo yue 3172 6460] They said: Now, we only speak but do not do, in the past we boasted before doing. Many matters in localities and these departments are not of a socialist or capitalist nature. They just go ahead with their jobs. But some departments in charge of ideological work remain quieter and quieter. This is quite abnormal.

Second, there is a change in the theoretical form. In the past they brandished the "two whatever's" banner and now they are checking others' ins and outs to find out whether their surname is "capitalism" or "socialism" [xing "zi" hai shi xing "she" 1198 6327 6703 2508 1198 4357], but they do not use the productive forces criteria to make their judgments. Deng Xiaoping's remarks have made it clear that if this is capitalism, it is liberalization. The result is that there will be no reform. In the final analysis, some people now actually still "prefer socialist grass to capitalist seedlings." There has been retrogression in two questions in recent years. One is the planned commodity economy. Now there are two prevalent viewpoints. One is deifying the commodity economy and the other is using the casing of the commodity economy to replace the essence of the socialist economy. In some people's minds, the essence of the socialist economy is public ownership, planned economy, and distribution according to work. This runs counter to the theory of the

planned economy and is a kind of retrogression. The other is describing adjustment of the ownership structure as "peaceful evolution." As a matter of fact, the percentage of the nonstate-owned economy is below 10 percent at present. Moreover, the larger part of the nonstate-owned economy is the collective economy.

Third, everyone is talking about reform now. This has made people unable to distinguish between truth and falsehood. Last year a magazine said: "Now the difference between no-reformers [wu gai ge pai 2477 2395 7245 3175] and nonreformers [fei gai ge pai 7236 2395 7245 3175] is reformers." But this article provided reasoning in these three steps: The major precondition—we are all reformers; the minor precondition—you are not reformers taking the socialist road; the conclusion—you are not reformers. This article was reprinted by RENMIN RIBAO. An article on reform is, on the contrary, opposed to reform.

Fourth, it is as definitely as "leftist," but they do not admit it and still practice "leftism," saying that Deng Xiaoping did not talk about not opposing "rightism"!

What is more serious is that some people with quite a lot of power at hand can use it to press others and prevent the exploration of different opinions.

Reform is really arduous. Every step costs no little price. I think a difficult point in reform at present is still emancipating the mind. Otherwise, other problems cannot be discussed.

Planning Official Views Structural Reform Issues

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[Article by Wei Liqun (7614 4409 5028), director of Department of Structural Reform and Law Regulations of the State Planning Commission: "Reform of China's Planning Structure Prospectively and Retrospectively"]

[Text] I. Important Progress in the Reform of the Planning Structure and Problems Facing Reform

The basic objective and task of the reform of China's planning structure is to establish an economic system and operating mechanism that are suitable for the development of a socialist planned commodity economy, and to ensure that the national economy is full of vitality and grows continuously and steadily. To measure the progress and effects of reform, we must find out how close we have moved towards this objective. Over the last 10 years or more, as we have gradually conducted and intensely developed reform of the entire economic system, the reform of the planning structure has been making major progress that is decisive and significant. The original structure and format of a planned economy have changed substantially in many areas.

In terms of the power structure of the planning system, the scope and degree of central planning and policy-making

have obviously declined and, correspondingly, local governments and enterprises have more decision and planning authority, and the main groups of interests have become more pluralistic. One major defect of the original planning structure was that planning and decision-making authority and the authority to distribute profits were overly concentrated; and there was too much and too tight control over local governments and enterprises. The main line of the planning structure reform in the last 10 years or more has been to delegate more power to the lower levels and to allow them to retain a proportion of the profits, and to let local governments and enterprises have more decision-making power. The changes in this area are quite obvious. In the past, local governments below the provincial level had very little decision-making authority. Within an enterprise, production and management activities—production, provisions, sales, distribution of manpower, finances, materials, profits, and technological renovations—were almost always planned and arranged for by the state. Today local governments below the provincial level are the main bodies responsible for planning and policy-making in many areas. The majority of enterprises also have the authority to make plans and decisions in management and production. Through relaxation of control over the examination and approval of fixed assets investment, implementation of the financial contract and circulation systems, raising and utilizing financial and material resources, export and import trade, external economic and technological exchanges, and by using economic levers, local governments have acquired substantial decision-making power.

In terms of the format of planned management, direct planning has been reduced tremendously, guidance planning is widely used, and market adjustment obviously has a growing impact. Another defect of the original planning structure was that the scale and proportion of direct planning were overwhelming, and we could not take full advantage of the market function. After over 10 years of reform, the function and scale of planning and the market within economic operations have greatly changed. For instance, in industrial production, before 1979, 95% of the gross industrial output value resulted from direct planning from the State Council and local governments of various levels. In the past two years, the amount of direct planning has been reduced to about 16

of output value; guidance planning accounts for over 40

of the output value, and so does market regulation. The kinds of capital goods under the state's centralized distribution plan has been reduced from 256 to 19. The number of first class commodities that the state purchases and allocates under central planning has been reduced from 65 to 20 types. In capital construction and technological renovation investments, in import and export, in science, technology, and educational developments, and in the areas of production and management within enterprises, direct planning clearly plays a smaller role and market regulation has become more influential in a wide-ranging field and scale.

In terms of the format of planned regulation and control, the role of administrative measures has gradually becomes less prominent, and the role of economic and legal measures is growing more important and stronger. Under the original planning structure, the economy was generally controlled by administrative measures; relations between commodities and currency and the principle of material benefits were ignored. This was a major cause of the abnormal economic behavior. As the impact of delegating power to lower levels and allowing them to retain a proportion of the profits and the effect of market regulation became greater, economic policy and levers were used more frequently as tools in guidance planning, regulation, and control. The most visible example is the role of prices as an essential economic index and lever that has gradually become more prominent. At present, only about 25 percent of all prices for products and services are determined by the state; the other 75 percent are fixed according to the state's recommendations or by the market. During the last few years, central planning has focused more and more on the formulation and implementation of the state's industrial policy. The result of planned management and economic regulation and control has been quite positive ever since the utilization of interest, tax, and exchange rates. Economic forecasting, information exchange, and policy studies play a more and more important role in the formulation and implementation of central planning. The system of planned management is becoming getting stronger.

There has been great progress in the structure and method of planned management. Since reform, the planning structure has changed from that of the past when it followed the simple linear connection of departmental, regional, and administrative systems. Since 1983, we have followed, at different times, the method of listing 14 big cities and coastal open cities individually in the state plan. A large number of large-scale enterprise groups and the implementation of crucial construction projects have been listed individually in the state plan. The formation of the planning structure is then based on vertical, horizontal, cross sectional, and multi-directional linkages. Planned management has also switched from emphasizing the formulation of economic development plans in the past to integrating domestic economic activities with the plan of opening to the outside, and from emphasizing yearly plans to combining yearly plans with a medium- and long-term plan.

In short, after reform, China's original format of a planning structure that emphasized a high degree of centralization, rejected the role of the market, neglected the law of value, and depended mainly on administrative methods to control the economy has been greatly transformed or is experiencing great change. The door to a new planning structure has already been opened, and the foundation for a new structure has been tentatively built. Planning structure reform has made substantial progress. This has positively stimulated the initiative of the central and local governments, enterprises, and individuals, revitalized urban and rural economies, and mobilized

the development of the entire national economy and reform and the open policy.

At the same time we should also take note that there is still a lot to do in the reform of China's planning structure. We have not established a scientific plan or policy structure. It is not yet clear how we carry out the division of labor for planned management between the central and local governments, among departments, and between the state and enterprises. What should have been controlled is not under control or is not well controlled. What should have been liberalized is not yet liberalized or revitalized. There is a lack of a restraining mechanism and a lack of a responsibility system in planning, decision-making, and the control processes at all levels. There is still a severe situation in which responsibility, authority, and profits remain separated. The area of planned regulation and control is mostly limited to the economic activities of the ownership of the whole people, and the method of regulation and control has not been much improved. Central planning cannot respond thoroughly to the demands of the law of value, hence its usefulness is diminished. Neither have we found an effective way to apply guidance planning. The role of planned management in bringing about a comprehensive balance has been weakened. Planned management has been also been unable to play its role in developing the market structure and in regulating, controlling, and organizing the market. Moreover, the problems of how to combine and coordinate various economic levers and how to use planning as a means of indirect regulation and control have not been solved. Macroeconomic plans for regulation, control, supervision, and the service structure have not yet been established. This indicates that the combination of a planned economy and the market is far from perfect; both central planning and the market find it difficult to fulfill their functions or exert an influence. This leads to a certain loss of control in investment and consumption, and this is also a major cause for the irrational economic structure and low economic returns. Therefore we must conscientiously summarize our experiences, reaffirm our successes, pinpoint the problems, and be persistent and dauntless, so that the reform of the planning structure may continue to become more sophisticated.

II. Several Principles That Promote the Reform of the Planning Structure

The ongoing reform of the planning structure, like the reform of the entire economic system, is a complicated social system project. After more than 10 years of practice and theoretical exploration, people have a richer knowledge and better understanding of this gigantic project. To intensify the reform of the planning structure and to make sure that reform is growing healthily in the right direction, it is undoubtedly necessary and beneficial for us to study and summarize our experiences conscientiously. Within this most enriching, lively, and orderly body of knowledge, there are several crucial points: **First, we must uphold the ideological line of liberating our thought and seeking truth from facts.** The

improvement of the planning structure reform made several years ago was the result of liberated thought and ground-breaking progress. We managed to break away from the theory, concept, and idea of a planned economy, establish the theory of the socialist economy as a planned commodity economy, and emphasized the necessity of following the law of value and making use of market regulation. We have clarified the fact that a planned economy does not mean economic planning, nor is a planned economy limited to direct planning and target control. Direct planning and guidance planning are concrete formats in the implementation of a planned economy. We must use economic policy and economic and legal measures more often to implement plans, guidance, and control. This is how we make breakthroughs and achieve progress in the reform of planning. The reform of China's planning structure is a pioneering project; we cannot and must not simply duplicate other countries' formulas or experience. Instead we should implement reform with the national condition in mind and experiment with practice. Therefore, we should pursue the reform of the planning structure by following continuously the theory, ideology, guidelines, and policy for the development of a socialist planned commodity economy. We will start with what will be good for developing social productivity and perfecting socialist production relations. Then we will step forward and liberate our minds, explore boldly, create willingly, and continue to break new ground. During reform, we should make sure that we make good use of the superiority of China's social and economic systems, uphold experiences and methods that have proven useful in practice, and, based on new conditions and situations, enrich and perfect these methods.

Second, we must uphold the basic principle of integrating the planned economy with market regulation. This is the correct principle and basic direction of the entire economic system reform, including the reform of the planning structure. We proceed with reform by following this principle and direction because we want to establish a formula for the market economic system that is different from the one based on private ownership or from the traditional format of the planned economy in the past, which required a high degree of centralization and neglected the demands for the development of a commodity economy. We want a socialist economic planning structure with Chinese characteristics. In the past 10 years and more, we have followed this path to reform. Our practices have proven that this is a correct and effective path. Now the problem is to study how to combine these two sides better and to perfect and strengthen the structure. Based on many years of experience, to continue with the reform, we must be more careful when dealing with relations in the following three areas. The first is the relation between the planned economy and market regulation. We must utilize the functions of these two areas correctly. We should determine what is the rational style and means of combining a planned economy with market regulation, while we attend to economic lives at various levels, spheres, and

conditions, so that both the planned economy and market regulation can perform as required and achieve results accordingly. We must value and allow market regulation to play a positive role. We must change from the old way of ignoring the function of the market and the law of value. At the same time, we should uphold a planned economy and strengthen and improve the state's planned management. The second is the relation between centralization and decentralization; we should centralize when it is necessary and decentralize when it is appropriate. Jurisdictional, financial, decision-making powers, and the power to regulate and control must be retained by the central government and should not be released at all any time that doing so may affect the unity of the national economy and the market. As for other local or general economic activities on a large scale, local governments and enterprises should have decision-making power over them, and we should uphold the decision to delegate power. The third is the relation between macroeconomic control and microeconomic revitalization. We must work hard to ensure the organic combination and coordination of the two, and truly achieve macroeconomic control and microeconomic revitalization. Because of this, we must study seriously the mechanism that can coordinate and balance China's macroeconomic control and microeconomic revitalization, so that both sides may adjust to and promote each other.

Third, we uphold the fact that planning structure reform will accelerate reforms in other areas. The planning structure affects a large variety of matters. It is related to the macroeconomic control structure and the microeconomic structure. It has vertical links and horizontal connections. The conflict between a planned economy and market regulation is that they are united and yet antagonistic. The planned economy is the major element in this conflict because it directly controls the performance and level of market regulation. Therefore we must actively promote the reform of the planning structure. At the same time we should give full consideration to the effects that the planning structure may have on other systems. When deciding the programs, objectives, and pace of planning structure reform, we not only have to consider improvement and development of the planning structure itself, we also have to remember the characteristics, demands, and possibilities of reforms in other areas. We cannot alienate other reforms and fight the battle alone, nor can we afford to lag behind. For instance, giving local governments and enterprises more decision-making power in matters concerning investment is a good idea. However, the present situation is such that pricing is seriously warped and the market system is not yet well developed. If we speed up too quickly and release the authority to examine and approve investment impartially to all levels, the result will be undesirable. In the last few years, one drawback of planning structure reform was that the structure reform has simply adjusted to and passively obeyed reforms in other areas, and we did not implement a

series of measures that might make up for the shortcomings. This needs to be improved.

Fourth, we must uphold planning structure reform because this will promote present and long-term economic development. China's economic development must depend on reform, and reform must serve economic development. This point is understood by everyone. The question is how to integrate reform and development well so that they can adjust to and stimulate each other. Today, the way for planning structure reform to serve economic development is to work for the implementation of the already announced 10-year Program for National Economic and Social Development, the strategic objectives and tasks defined in the Eighth Five-Year Plan, and finding an effective solution to the conflicts in current economic life. By the end of the century, total national output value should quadruple that of 1980, people's living standards should reach a fairly comfortable standard, and the overall quality of the national economy should be raised to a new level. To achieve this goal we need to solve a series of crucial problems. It is most important that we choose the best format by which to allocate resources rationally and regulate income distribution effectively for now and in the near future, and in a manner acceptable under objective conditions. Irrational economic structures and low economic returns are the two conspicuous conflicts of present economic development. If these conflicts are not solved, it will be difficult for the entire national economy to truly get on the right track of the benevolent cycle. This condition demonstrates that the measures, procedures, and dynamics of planning structure reform must be beneficial to the long-term rational disposal of resources, the effective regulation of social income distribution, and the improvement of the economic structure and acceleration of economic benefit.

Fifth, we believe in destruction and construction; we should construct first, and destroy afterward. Reform is the self-improvement and self-development of the socialist system. When the defects and shortcomings of the planning structure are eliminated, new corresponding formats, systems, and mechanisms must be created to replace the old ones. We cannot destroy first and construct later. And we must not have destruction without construction because this will create chaos and inflict unnecessary damage on the economy. At the beginning stage of planning structure reform, it is necessary to give more consideration to and effort to eradicating the defects of the original planning structure. However, it appears that in some places, destruction occurs before construction, or destruction exists but there is no sign of construction. This has had some negative influence on economic development. From now on, we should be bold in eliminating all original formats, systems, and mechanisms of planned management that cannot adjust to the development of productivity and to the new situation. But more importantly, we should work on creating new formats, systems, and mechanisms. Important measures of reform should first be

tried out in small areas. After gaining some experience, we can promote experiments further. At the same time, planning structure reform should be expanded vertically. We have to alleviate symptoms, but we must also find a permanent cure. We should focus on changing the economic operating mechanism, in particular, we should focus on setting up effective stimulating, restraining, balancing, and profit-making mechanisms. We should make good efforts to ensure that all measures for reform are regularized, systematized, and legalized.

III. The Major Task in the Intensification of Planning Structure Reform and Key Points of Recent Reforms

Our hard work over the next 10 years will to establish an initial economic structure and operating mechanism that is based on socialist planned commodity economy development founded on public ownership and based on the integration of a planned economy with market regulation. This is the strategic objective and task of economic system reform as formulated by our party and state; this is also the overall objective and task of China's reform of the planning structure. To achieve such an objective and task, we need to solve a series of fundamental, profound, and obscure problems in planning structure reform. First we should step up the transformation of the function of planned management so that it may truly perform its role of macroeconomic guidance, distribution, balance, and control. Most importantly, we should make rational decisions on the direction and objective of national economic development, exercise control over the general economy, coordinate major economic structures, and adjust the overall arrangement of productivity, maintain the comprehensive balance of the national economy, and create a favorable external environment for the market and enterprises to operate normally. A large number of production and management activities of enterprises, general technological renovations, and small-scale construction, should be regulated by the market. Second, we should continue to change the old form of planned management consisting mainly of administrative directives, and establish a new form of planned management that combines direct and indirect planning, but relies mostly on indirect planning. We should set up a planned regulation and control structure that integrates economic, legislative, and administrative measures, using economic measures as the major tool. This way, both planning and the market can rationally and effectively fulfill their individual functions and roles. We should improve the economic forecasting, information, and consultation structures and institutions so that they may help us make macroeconomic decisions and carry out microeconomic programs. Planned management can then exercise macroeconomic control efficiently and ensure that the market and enterprises are moving in the right direction. Moreover, market regulation can better perform its function of allowing the best quality to win and eliminating the inferior one. Third, we should gradually set up a socialist market system, structure, and discipline that will allow united, open, and orderly competition, and form a market that is organized and

under control. This is the crucial content and work of the new planning system. Fourth, we should formulate a planned management system that can combine responsibilities, powers, and profits so that central and local governments and enterprises can divide their work in a multilateral and rational fashion. The balancing, coordinating, and restraining mechanisms of planned management at all levels have to be strengthened. Fifth, by responding to the demand of socialist commodity economic development, we should gradually establish a new planning method, structure, and system that will coordinate with China's rational ownership and distribution structure and will help us forecast, guide, plan, regulate, and control the economic activities of the entire society. Sixth, we should improve the democratic and scientific decision-making structure for macroeconomic planning and perfect the organization and regulation of planned management. Furthermore, we should gradually establish law and order in planned management under the planned commodity economy so that planned management may become regularized, systematized, and legalized, and the level of scientific ability and efficiency can be improved. Of course, to realize these tasks requires a lot of hard work in many fields, including the comprehensive promotion of reform of the planning structure itself, as well as a comprehensive and extensive reform of enterprises, markets, prices, businesses, materials, revenues, finances, and labor wages. And, to achieve success, these reforms must fit in with and promote each other.

Responding to the demand to appropriately expand the measures and the dynamics of reform, and considering the possibilities provided by actual conditions, we find that the focus of expanding the reform of the planning structure should be in the following areas:

(1) The form of planning management should revolve around the successes of medium-size and large state-owned enterprises and the reform of production and circulation. The main thing is to continue to make proper reductions and improvements in decision planning, and further step up letting guidance planning and market regulation perform their functions. We should gradually return decision-making power for production and management to the state-owned enterprises. And, under state planned guidance, let the enterprises make decisions based on market changes. At present, some industries, especially some medium-size and large state-owned enterprises, still receive too much directive planning. While ensuring that the state must control important material resources that are absolutely necessary, we should reduce, in an orderly and proper way, the scale of direct planning. When it is difficult to reduce or eliminate direct planning in the production of certain goods, we may study the possibility of obtaining supplies by using fixed quotas and accepting guaranteed quantities, and set the prices according to state guidance or market prices. We may also select certain products and experiment with giving the state priority in ordering goods. Meanwhile, we must seize the moment to study how to improve the methods of implementing guidance planning, and work hard to prevent guidance planning from

changing into direct planning or market regulation. We need to improve the centralized distribution of material supplies, reduce obstacles to circulation, and expand the limits and proportion of direct supplies.

(2) We need to improve and strengthen macroeconomic regulation and control of fixed assets investment and gradually establish a rational and effective investment planning structure. The focus of planned management should be on the dimension and structure of productivity expansion because the dimension and structure of the assets increase determines directly whether the entire economy can develop according to plan and at the right scale. In order to achieve macroeconomic control and planned management of fixed assets investment, we must conscientiously reinforce planned regulation and control of the overall dimension of fixed assets investment in all of society, and initiate different styles of planned management based on individual conditions. We should discard the present method in which the allocation of investment programs and the allocation of examination and approval powers are based only on production capacity and the amount of the investment. We should follow the state's industrial policy, which requires us to base examination and approval for capital construction and technological renovation on regional setup and economic scale in individual industries. Only the central, provincial, and city governments are allowed to have examination and approval authority for construction projects that practice economies of scale, that produce certain popular products that require more sophisticated technological standards, or that may attract overlapping construction, and for certain long-term, major production projects whose development needs to be monitored. As for investment in agriculture, waterworks, energy, transportation, communications, and essential raw materials, because developments in these areas ought to be encouraged, we may consider taking further and appropriate steps, and let local governments and departments have more authority in the examination and approval of the projects. As for a large number of small-scale construction projects and technological renovations, we should gradually let the enterprises have most of the decision-making power, and further allow the market to function by accepting that which is fittest and discarding that which is unfit. We have to establish a system that can link fixed assets investment scale and funds supply. The investment amounts of all construction projects must be thoroughly calculated. All variable factors such as interest, costs, and exchange rates during constructions should be included in the estimates. There should not be any gaps in the planning arrangements either. There should be enough reserves of circulating funds after the project begins. We should insist that the number of projects initiated should be based on the amount of available funds, and exercise strict control over new projects. We must look for channels that may stabilize and expand funds resources for key construction projects. By gradually issuing more negotiable securities, including bonds and stocks, we can raise and induce social funds to build

key industries and projects that are urgently needed in society. Furthermore, we may utilize the market competition mechanism of asking for public tenders and bids to be submitted for a wide range of construction projects, and strengthen the democratic and scientific decision-making process in construction projects. In the legal system, we must develop a rational investment mechanism that will be responsible for investment behavior. This will change the present situation in which investment behavior does not correlate with responsibility.

(3) We must perfect the state's industrial policy and improve overall planning for industry and regional economic development. We should further improve future state industrial policy and clearly define the ratios of all major industries and the foci of their internal developments. We should support and limit development of major products and search for corresponding policies and measures. Under the guidance of the state's unified planning and industrial policy, departments in charge of industries should formulate adjustment and development programs for their industries. We should follow the state industrial policy and industrial programs, and clarify the focus and direction of industrial developments in every district so that individual districts can achieve the objectives and missions of the state's industrial policies and programs. The success of our work will have an extremely important impact on the maximization of resources disposal, improvement of the economic structure, and escalation of economic returns.

(4) We should strengthen the planned management and coordination of income distribution, and gradually form a mechanism for the overall regulation and normal growth of wages. The distribution of the national income favors individuals. Egalitarian distribution and disparity between high and low incomes are outstanding problems in economic life at present. Solution of these problems requires a strict state wages policy and planned management of wages. We need to reinforce the supervision and inspection of wage payments, and implement the "double control system" over enterprise wages, which combines planned management and a linkage between wages and efficiency. We also have to seriously improve and perfect the specific method of linking wages with efficiency in enterprises. We need to be thorough in improving and strengthening the task of collecting and controlling individual income adjustment taxes so that taxation can fully achieve the objective of adjusting personal income.

(5) We should follow the principle of a rational division of labor and integrate responsibilities, rights, and benefits, and work hard to perfect the planning system with bi-level regulation and control of the central government over the provinces, autonomous regions, and municipalities. At present, the division of labor in planned management between the central and provincial levels is not always rational. There are some matters that should be managed and decided at the provincial level but the central government has taken over the power. At other times when certain matters or policy-making might affect the

overall situation and should have been decided through central planning, the authority was overly divided up. The self-balance and self-restraint mechanism in planned management has not been yet established at all levels. This condition is not good for the healthy development of the entire economy. It is necessary to have a clearly defined division of labor according to jurisdiction, financial, decision-making, and authoritative powers, and it is also necessary to follow the principle of integrating rights and responsibilities, and gradually establish a planning system with bi-level control between the center and the provincial, district, and city levels. We should therefore take further steps and rationally divide the boundaries and authority between the central government and the provinces, districts, and cities. Major and planning policy-making authority related to the unity of the national economy and the market should remain in the hands of the central government. While following the central unified plan and policy, individual provinces, districts, and cities should take measures that are suitable to local conditions and initiate overall planning and control over the social economic activities in their areas. On the basis of clarifying jurisdictions and boundaries, we should pay more attention and review the management authority and responsibility of the central government, provinces, districts, and cities on matters related to investment, finances, taxation, pricing, material resources, foreign exchange, foreign capital, and labor wages, and strengthen the reserve and utilization system of major material resources and commodities at the top two ranks.

(6) We should make better use of the guiding and regulatory role of economic methods and actively improve the planning methods and system. First, we should truly make finances, taxation, loans, pricing, foreign exchange, and wages organic components of state planning and also the major means by which to realize the plans. Second, we should improve and enhance the system for comprehensively balancing the national economy. We must expand the scope of items subject to comprehensive balancing, and at the same time that we continue to strengthen and improve the comprehensive balance of certain economic activities that are directly controlled by the state, we should earnestly improve the balancing of value which has as its core comprehensive financial credit planning, as well as its corresponding item, the balance in material goods. We must include in comprehensive balancing the volume of circulating funds and goods sources in all of society in order to attain a balance in the overall amount of value and the overall volume of goods. Third, we should study and establish as soon as possible a new national economy calculation structure and a new planning index structure that can reflect economic activities throughout society. Fourth, we must emphasize the importance of economic forecasting, information, consultation, and the legal system. We should establish in planning departments a format and system to explore, collect, study, utilize, and announce all sorts of economic and market information,

improve the structures and systems of planned supervision, forecast and prediction, and fully make use of institutess for policy, consultation, information, and research. We must ensure that economic laws and regulations such as "planning" and "investment laws" are formulated. Moreover, we must actively reinforce the self-establishment of planning departments, and take further steps to change the role and style of planned management so that we can better meet the demands of economic development and of the new situation of reform and openness.

Ideas Offered for Revitalizing Central Areas

*HK2804015692 Hong Kong WEN WEI PO
in Chinese 15 Apr 92 p 2*

[Dispatch from Wuhan by staff reporter Yao Hsin-pao (1202 2946 0202): "Scholars From Five Provinces Gather in Wuhan To Discuss Major Plan To Invigorate Central China"]

[Text] Wuhan, 14 Apr (WEN WEI PO)—Compared with the coastal areas in the south, central China's economy in the course of reform and opening up is relatively backward. The "Symposium on Opening Up Development Zones in the Chang Jiang Middle Reaches," which is aimed at exploring the major topic of revitalizing central China, will open here tomorrow (15 April).

The symposium is sponsored by more than 90 experts and scholars and 19 institutions from Hubei, Jiangxi, Hunan, Henan, and Anhui, the five provinces in central China. The State Planning Commission, State Commission for Restructuring Economy, Science Commission, Ministry of Foreign Economic Relations and Trade, and Ministry of Material Supply will also send members to the symposium.

It is estimated that the tentative idea of the establishment of "free ports and trade zones in the Chang Jiang's middle reaches" proposed by the economists will be the most conspicuous symposium topic.

In an interview with this reporter, Xia Guozheng, vice president of the Wuhan University College of Management and professor of economics, said: As a tentative idea, we can regard the establishment of an economic free trade port in Wuhan as an immediate target while taking the establishment of a series of free trade ports in Wuhu, Jiujiang, and Yueyang as long-term targets.

Xia added that the introduction of the market competition mechanism of free trade port will be of great significance to the revitalization of central China's economy, which is obviously lagging behind in the course of reform and opening up.

A group has outlined these tentative ideas after preparations of around two years. The group is led by Professor Xia Guozheng and Feng Wenquan, professor of Wuhan University's Forecast Institute and deputy director of the Chinese Forecast Society.

Echoing Pudong's development, Xia Guozheng pointed out, the Chang Jiang valley should create conditions for the whole valley to take bigger steps in development rather than waiting for proliferation from Shanghai.

The report by Xia Guozheng and Feng Wenquan said that the central authorities should consider a slight readjustment of the inclined policies implemented over the past decade or so; help central China maintain direct contacts with the world economy; formulate fair regional policies; comprehensively readjust the unreasonable financial taxation, price, financial, and trade policies between the eastern and central areas; duly increase investment in the central areas; use the state's macrocontrol and regulation function and redistribution of interests to support the construction of central China; and realize common development and prosperity of the eastern, central, and western regions.

The report pointed out that the establishment of a series of open and development ports along the Chang Jiang's middle reaches will be a pioneering work of great historical significance. Besides coordinating the development of Pudong and construction of the Three Gorges project, it will enable the provinces along the Chang Jiang's middle reaches to maintain direct contacts with the world market, which will help end central China's seclusive and backward economy and promote the export-oriented economies of the provinces and cities along the Chang Jiang's middle reaches.

Article Links Enterprise, Government Changes

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in Chinese No 2, 5 Feb 92 pp 7-8*

[Article by Chen Zuxin (7115 4371 2450): "While Enterprises Change Their Operational Mechanisms, What Are Government Organs Going To Change?"]

[Text] Not long ago, at a forum of the directors (managers) of some large and medium-sized state-owned enterprises, convened by the Industrial Economics Association of China, some directors (managers) put forward the question "While enterprises change their operational mechanisms, what are government organs going to change?"

Changing the operational mechanisms of enterprises is the crux in enlivening large and medium-sized enterprises. This is now a widely held common understanding. However, enterprises are not closed entities and the changing of operational mechanisms cannot be carried out by enterprises behind closed doors. Rather, this change involves the study and resolution of problems by the government, the enterprises and society. The government and society must put effort into creating a relaxed and harmonious external environment for enterprises. In this, the most important aspect is that the government must change its functions and government organs must change their workstyles and change their concepts.

I. The Government Must Change Its Functions

Changing the operational mechanism of enterprises is intended to allow enterprises to establish their position as socialist commodity producers and operators which make their own operational decisions, are responsible for their own profits and losses and have self-development and self-accumulation capacities. This requires that the government change its functions and implement a separation of government and enterprise responsibilities. Since the beginning of reform and opening up, the changeover in enterprise operational mechanisms has seen some progress, but the progress has not been very great, and there have even been reversals. The basic cause lies in the stagnancy of the changeover in government functions. The government's management of the economy follows basically the method of direct management of enterprises, a method which was inherited from the former product economy model, and it uses few economic levers to indirectly regulate and control enterprises. This has led to a loss of control over macroeconomic management and excessively tight management at the microeconomic level.

1. In the macroeconomic aspect, because the various areas, departments, and enterprises have certain interests and powers, the administrative measures used in directly managing the economy have difficulty in realizing an all-embracing effect. Thus, there are duplicate imports and blind construction, and convergence in the industrial structures of various areas; in the industrial structure there is no effort put into the readjustment of surplus industrial stock; the spheres of science, technology and production are dislocated from each other; it is difficult for the great volume of imported equipment and technology to be digested and absorbed in a coordinated way; there is almost "war" for raw materials in the domestic market; and export products compete against each other in the export market, forcing prices down and resulting in dumping. Problems like this continue to appear and it is difficult to essentially resolve them. These problems are serious restraining factors on the vigor of enterprises at present. However, for various reasons, the government has not put forward any powerful policy measures to resolve these problems. In fact, with the use of industrial policies, technology and equipment policies, pricing, taxation and interest rates, and the supplementary use of necessary administrative measures, these problems can be resolved. The crux lies in putting great and real efforts into investigation and research, and planning a series of coordinated policies which encourage cooperation and which give play to superior elements and restrain inferior elements.

2. In the microeconomic aspect, because of the loss of control on the macroeconomic level, the government has had no option but to strengthen administrative measures by which to directly manage the microeconomy. The result of this is that government organs have become increasingly specialized, directives have become increasingly numerous, and enterprises have become increasingly restricted in their actions. On the one hand the

organs appraise the enterprises, and on the other hand they inspect them. They also engage in other examinations which are not even given names, and issue citations which have no effect. They interfere excessively in the personnel, employment, distribution and organizational setup of the enterprises and even interfere in things to a greater degree than the work done by the enterprise director (manager). If an enterprise wishes to do something, it needs to draw up a "route map" and it has to run around to every department and get every department to put its stamp on the plan. By the time all the stamps have been obtained, the situation has often changed and the opportunity has been lost. This not only weakens the operational autonomy of enterprises, increases their economic burden and wastes the energy of the enterprise leaders, but also makes it difficult to achieve the anticipated results. Facts have proved that reliance on administrative measures to manage enterprises means that directives increase, inspections are more numerous and it is difficult to truly enliven the enterprises. On the other hand, if things are done as they are at the Capital Iron and Steel Works, where there is firm management at the upper levels and at the lower levels there is some flexibility and vitality, the enterprises' performance can steadily improve.

II. Government Organs Must Change Their Workstyle

Whether the workstyle of government organs is good or bad affects not only economic development, but also the fate of the party and the life or death of the state. Government organs must change their workstyles so that they deal with matters concretely, dare to take responsibility and have an honest and just workstyle.

1. They must have a workstyle in which they deal with matters concretely. At present, the cadres of some government departments do not manage enterprises with an attitude of seeking truth from facts. Rather, they put on airs and put in little effort. In some matters, they do not seek real results, but pursue undeserved reputations. For example: They do not concern themselves with whether or not the products of an enterprise have markets, but just require the enterprise to raise output value; in examination and appraisal, they want to examine the notes made by the factory director when he attends training classes; in the enterprise meeting room, there will be all sorts of merit awards and citations, while the quality and performance of products does not improve; when cadres stay at the enterprise to inspect and guide work, they act perfunctorily and do not listen to opinions or enquire about the products of the enterprise. Then, when their period in the enterprise is concluded, they write an appraisal, have the enterprise stamp it and then leave. Some enterprise leaders think that this workstyle of just stressing reputation and not stressing concrete work has reached the stage where it must be changed. The development of the economy and the strengthening of the state requires solid work. The practice of trying to please the public with claptrap and seeking an undeserved reputation not only is of no help to work but actually harms our cause.

2. They must have a workstyle with a sense of responsibility. The people give power to cadres and thus cadres have a responsibility to carry out their functions well. At present, the cadres of some economic departments lack this spirit of responsibility, and they only do things to please the upper levels and do not do any real work, report good news but do not report bad news, and are indifferent to problems and difficulties in production. When they encounter problems, they try to detour around them, and are afraid of this and that and make all sorts of excuses. Under a planned commodity economy, in a market environment of intense competition, production is like engaging in warfare. Holding the major power of control over an enterprise and being unwilling to assume responsibility is like dereliction of duty on the part of a battle commander, and it results in great harm.

3. They must have an honest and just workstyle. Honesty and justness are fine traditions of our party and are a basic guarantee in leading the masses to overcome all difficulties. However, today some cadres have forgotten this tradition, and if they have a little power, they "block" enterprises, use their power to seek private benefits and exchange their power for personal gain. They take money from enterprises for inspections, appraisals, meetings and issuing documents. However, this does not get written into their accounts, and is used as they wish. If they gain no benefit, they do not do anything for the enterprise. These phenomena not only blunt the enthusiasm of the staff and workers of enterprises, but also harm the reputation of the party, harm the body of the party and have reached the stage where they must be changed.

III. The Government Must Change Its Concepts

Building a socialist planned commodity economy with Chinese characteristics is an unprecedentedly large undertaking which involves a certain amount of exploration. Thus we must, under the guidance of the party's basic line and in accordance with the situation of continuous change, liberate our minds and change our concepts.

1. The financial administration must uphold the concept of "keeping expenditure within income and setting expenditure in accordance with income." At present, enterprises have insufficient reserve stamina, it is difficult to implement the contract system, it is difficult to effectively implement the contract system, and it is difficult for enterprises to retain depreciation funds, major renovation funds and technological development funds. One of the major reasons for this is that the tasks of the financial administration are too heavy, enterprises do not have room for maneuver and it is difficult to "increase the size of the cake."

2. It is necessary to uphold the concept of "first production and then capital construction." At present, there are certain policies, such as that which sets prices for raw materials, energy and technological equipment very low in order to support capital construction, and that

whereby the "two funds" are drawn from enterprises' retained profits and depreciation funds in order to carry out capital construction, which are actually squeezing existing enterprises in order to open up new enterprises. Thus, not only are existing enterprises unable to be transformed or renewed, but they are continually being made outdated.

3. It is necessary to correctly view the relationship between social stability and economic development. Social stability and economic development form a unity of opposites. The two are mutually dependent and promote each other. But under certain conditions they are also mutually restricting. In the current situation, if we are to achieve the sustained, stable development of the economy, we need to eliminate some problems in the economic structure and the political structure, and readjust some fixed interest situations. However, this may affect political stability. This requires that we correctly handle the relationship between stability and development. When handling the relationship between the two, in the past there was excessive stress on the importance of stability, on having a single level of wages for staff and workers and using money to buy stability. This resulted in egalitarianism on the distribution level, which had previously been weakened, again raising its head. In order to seek stability, enterprises were required to make arrangements for persons who had been released from education-through-labor camps, while a large number of unemployed youths had to remain outside the enterprises. Enterprises which were loss-makers over long periods could not be made bankrupt. Rather, the method of "taking from the rich to feed the poor" was adopted and there was "whipping of the fast ox" and "concern for the less advanced." Although these methods are able to play a temporary role, they are not beneficial to economic development. Thus, they should be changed in a timely way.

4. It is necessary to understand in a complete and accurate way the superiorities of socialism. At present, on the personnel, labor and distribution levels, the hue of welfare benefits is very strong. Actually the superiorities of socialism in these respects are not manifested entirely in welfare benefits, but also in the ideas of requiring from each according to his ability and distributing to each in accordance with his work. The staff and workers are the masters of socialist enterprises. However, the position of master is an organic entity in which responsibilities, rights and interests are combined. There is no such thing as obligations without rights, nor rights without obligations. The position of the staff and workers as masters is manifested not only in their right to participate in distribution, but also in their obligation to make a contribution to the enterprise. The government must put efforts into propaganda and education, and create a public opinion environment to clarify the one-sided view of the superiorities of socialism and promote reforms in the areas of labor, personnel and distribution in enterprises.

Official Speaks on Separating Taxes, Profits

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[Speech given by Yang Zhangning (1728 1750 1337), deputy head of the Production Office of the State Council, at the Forum on Experiments in Separating Taxes and Profits; edited by An Luming (1344 6424 2494): "Some Views on Reform Experiments in Separating Taxes and Profits"]

[Text] I. The reform experiments in separating taxes and profits must implement the guiding ideology of enlivening enterprises and especially enlivening large and medium-sized enterprises.

In building socialism with Chinese characteristics so that the superiorities of the socialist system can be fully brought into play, the most important thing on the economic level is to achieve in the large and medium-sized state-owned enterprises a continual strengthening of vigor and a continual improvement of performance. At present, the situation of large and medium-sized state enterprises is generally very difficult. One-third of them incur losses and a further one-third make only small profits. Quite a proportion of enterprises have outdated equipment and backward technology and the contradiction whereby enterprises have to rely on past profits or even have to take out loans to maintain production operations is very marked. The Central Work Conference stressed: "Strengthening vigor and improving performance in large and medium-sized enterprises is a pressing task for the whole party, and a responsibility of party committees and governments at all levels. We must place great stress on this work, put all our efforts into it, and grasp it as a major task." We must take this matter as a central link in deepening reform and grasp it tightly and well.

The problem of increasing the vigor of large and medium-sized enterprises involves all areas of work, and there are many problems which require further exploration. There are a multitude of differences between the situations of various enterprises and it is not possible to just use one or two methods to solve all enterprise problems. Rather, it is necessary to engage in comprehensive sorting out and coordinated reform. The Central Work Conference put forward 20 measures for enlivening large and medium-sized enterprises. Essentially, these 20 measures involve further deepening reform, strengthening enterprise management and promoting the improvement of enterprise technology, so that enterprises gradually become socialist commodity producers and operators which make their own operational decisions, assume responsibility for their own profits and losses and have the capacity for self-development and self-restraint. This is the aim of enterprise reform and it should also be the orientation we adopt in the reform experiments in separating taxes and profits. Thus the reform experiments in separating taxes and profits should stress the enlivening of large and medium-sized

enterprises and should take the increasing of enterprise vigor and improving enterprise performance as the point of departure and stand in considering and formulating the various plans and policies for this experimental reform work. That is to say, the final yardstick in measuring the success or failure of the reform experiments in separating taxes and profits is whether they are beneficial to strengthening the vigor of enterprises and especially to strengthening large and medium-sized enterprises, beneficial to changing the enterprise operational mechanisms, beneficial to motivating the enthusiasm of enterprises and staff and workers, and beneficial to raising enterprises' economic performance and structural optimization, so as to guarantee the stable growth of state financial revenue. At the Central Work Conference, Comrade Li Peng put forward six standards for raising enterprise vigor. We should put common efforts into achieving these six standards.

II. Upholding the correct orientation in the reform to separate taxes and profits and earnestly doing well in the experimental points for separating taxes and profits.

The reform to separate taxes and profits is a major measure in further putting in order the distribution relationship between the state and enterprises. The aim is, by separating government tax income from state assets earnings, to promote the separation of the state's asset management function in respect of state-owned enterprises from the state's social management function, and thus to achieve the separation of government and enterprise functions. In this way, there will be formed in economic life quite standard taxation management and profit management systems, thereby creating an environment for equal competition. The specific contents of this are that the state will levy taxes on enterprises in accordance with the law, and post-tax profits will be distributed separately by the owners of the enterprise assets. This is a major step in achieving the overall goal of enterprise reform, whereby enterprises decide on their own operations, take responsibility for their own profits and losses and have self-development and self-restraint capacities.

All of the current experimental schemes for separating taxes and profits are methods put forward to realize the above-mentioned reform goal. These measures cannot be perfected at once and there are many problems which need to be further studied and resolved. For example, some regions and enterprises have indicated that their capacity for technological transformation and repaying credit is shrinking and that after tax they do not have sufficient profits, that the stimulatory mechanisms for enterprises and staff and workers are not strong, that the area of application is not wide, and so on.

The separation of taxes and profits is something new and it is not strange that some problems should appear at the experimental points. However, we cannot retreat just because we meet a few difficulties. We need to engage in specific analysis of the specific problems, continually

perfect the system through practice and finally achieve the anticipated aims of reform.

III. Correctly handling the relationship between upholding the contracted operation responsibility system and the reform experiments in separating taxes and profits.

The Seventh Plenary Session of the 13th CPC Central Committee and the Fourth Session of the Seventh National People's Congress clearly pointed out that during the period of the Eighth Five-Year Plan, we must continue to uphold the contracted operation responsibility system, stress the advantages and eliminate the problems, and continue to develop and perfect it. At the same time, we must continue to implement reform experiments in separating taxes and profits. The Central Work Conference further put forward the demands and tasks during the period of the Eighth Five-Year Plan of upholding and perfecting the contract system and engaging in experiments in separating taxes and profits.

The implementation of the contract system is determined by the present situation and characteristics of our state-owned enterprises. At present, in our state-owned enterprises, the contradictions of backward technology and insufficient development stamina are extremely prominent, and there is a very great imbalance in terms of economic performance situations and operations management situations between regions, industries and enterprises. Further, the pricing system has still not been put in order and the market is not fully developed, and the problem of enterprises lacking conditions for equal competition and enjoying differing benefits exists widely. It is thus very difficult to use a unified distribution method as a standard for all enterprises. The contract system is quite an appropriate choice when there is such diversity and differences between enterprises. It sets down different contract bases in accordance with the specific situations of various enterprises, so that the different types of enterprises have clear goals of struggle. The contract system adopts the policy whereby "the base figure is firmly fixed, the amount to be handed up is guaranteed, an increased amount of the surplus can be retained, and deficiencies have to be made good by the enterprise." At the same time as putting pressure on the enterprises, it provides them with great motivation. The practice over the last few years has proved that the contract system has played an important role in motivating the enthusiasm of the enterprises and the staff and workers, in promoting production development, in changing the operation mechanism of enterprises and in improving economic performance. In the current "two difficulties" situation where both state finances and enterprise production operations are facing difficulties, we particularly need to persist in implementing the contract system, fully bring into play the stimulatory role of the contract system, mobilize the enthusiasm of the enterprises for developing production and encourage the enterprises to make the "cake" bigger. Of course, there still exist some problems in the contract system, such as

the investment mechanism being insufficiently complete; enterprises guaranteeing the amounts to be handed up and guaranteeing the incomes of staff and workers, but thereby weakening the enterprises' development reserves; there being no effective control on the growth of consumption funds; not handling things strictly in accordance with the "contract regulations" promulgated by the State Council, and so on. These problems need to be further studied and resolved.

Seen from the current situation of the reform experiments in separating taxes and profits in various areas, if the work is done well, it will certainly be of benefit to implementing a fair tax burden on the diverse economic components and in creating a quite equal environment for competition. It is also of benefit in guaranteeing the stable growth of financial income and beneficial to changing the investment mechanism of enterprises and gradually establishing and perfecting a self-restraint mechanism for enterprises. It also can create conditions for establishing a state-owned assets management system. However, as many cadres have pointed out, the implementation of the reform of separating taxes and profits requires a complete market system and price system, and requires the carrying out of coordinated reforms in the areas of finance, banking and state-owned asset investment and management. In another respect, the experimental schemes also need to be continuously perfected through practice. Thus, at present, state-owned enterprises do not have the conditions for the overall implementation of separation of taxes and profits.

To sum up, upholding and perfecting the contracted operation responsibility system and carrying out experiments in separating taxes and profits are both enterprise reform tasks repeatedly and clearly set down by the central authorities. We must conscientiously do well in both these aspects. Different areas and different enterprises, regardless of what types of reform they are currently implementing, should all conscientiously and unwaveringly persist with them and strive to achieve the best results.

IV. In the experimental work of separating taxes and profits, there are problems which need to be further studied and resolved.

1. On the problem of strengthening enterprise investment capacity.

At present, the technological transformation tasks faced by large and medium-sized state enterprises are extremely onerous. According to statements from relevant departments, the equipment of the major industries such as the metallurgy, machine-building, petrochemical and construction materials industries throughout the nation is basically in a situation of "having four generations under one roof," with only 7.2 percent reaching international advanced standards and only 18.3 percent reaching domestic advanced standards. Over 60 percent of the mechanical and electrical products throughout the country are of a 1960s level, while 20 million of the 36.5

million spindles in the national cotton-spinning industry are still of a 1950s level. Those industries which produce products in oversupply should be the first to carry out structural readjustment, and subsequently some superior enterprises can engage in technological transformation. Seen from the present situation of enterprises, the most prominent contradiction in promoting technological progress is that the enterprises lack sufficient funds. First, the tax burden and interest burden on state-owned enterprises is too heavy and the level of profits they can retain is too low. According to statistics, the retained profits of state industrial enterprises within the budget in 1990 constituted only 13.24 percent of total profits realized, a per-capita profit retention of only 456.4 yuan. If one takes out the welfare benefits and bonuses paid to staff and workers and the various subsidies which enterprises have to shoulder, the amount of funds which they could actually use in technological transformation was next to nothing. The second problem is that enterprise depreciation rates are too low. In 1990, the comprehensive depreciation rate was 4.18 percent. Even if we ignore the "two funds" which have to be handed up, and the invisible damage and inflation factors, it will still be 20 years before the equipment can be renewed. The policy implemented in recent years of allowing repayment of debt prior to tax payment alleviated the contradiction of insufficient funds for enterprise technological transformation. However, it also resulted in the enterprise debt millstone becoming increasingly heavy. At the end of 1990, the capital construction and technological transformation credit provided to industrial enterprises within the budget had reached 275.39 billion yuan. There was also a further 306.28 billion yuan provided for circulating funds. Even the total realized profits of the enterprises in that year were insufficient to pay the interest on this credit. If this continues, enterprise debt will increasingly grow and the capacity to repay will continue to decline.

The implementation of reforms and experimental work in separating taxes and profits must fully consider and seriously study the pressing demand for technological transformation in our country's state-owned enterprises as well as the problem of development reserves, so as to gradually strengthen enterprises' capacity for self-accumulation and self-development. Of course, what is meant here by self-development capacity is a capacity for investment which is in accord with state industrial policies and is beneficial. We certainly must not again engage in that blind, duplicate construction. Seen from the experiments conducted previously in the reform of separating taxes and profits in some cities and enterprises, if the repayment by an enterprise of a specific credit is gradually changed from repayment before tax to repayment after tax, it will prevent the excessive expansion of enterprise fixed assets as well as the problems of blind vying for investment and vying for projects. It will also increase enterprises' consciousness of risk and sense

of responsibility. However, at the same time, the enthusiasm of enterprises for carrying out technical transformation will decline and technical transformation investment will shrink. We must particularly stress the study of resolution of this problem.

2. On the problem of changing the mechanisms.

In the implementation of the reform by which taxes are to be separated from profits, the point of stress is the changing of the enterprise operational mechanisms. The changing of the mechanisms is a long-term, gradual process of change. In the current reform experiments in separating taxes and profits, apart from seriously studying relevant coordinated reforms for achieving a changeover in the enterprise investment mechanism, we also need to stress the study and resolution of the following several problems:

First, the problem of the enterprise stimulatory mechanism. The contract system implements a policy whereby a firm base figure is set and, of the amount earned in excess of this base figure, a greater proportion is retained by the enterprise. Enterprises which operate well hand over what is due to the state and the remainder they can retain. Thus, this plays an obviously stimulatory role. In implementing the reform of separating taxes and profits, the state levies income tax in accordance with a certain ratio on the profits realized by an enterprise, and thus the amount which an enterprise hands over to the state varies. Thus, after paying income tax, many enterprises do not have much profit left, and some enterprises require the financial administration to give them refunds so that they can maintain a reasonable retained profit. In this way, how can the role of the stimulatory mechanism be brought into play?

Second, the problem of the enterprise loss-bearing mechanism. The contract system implements the policy of an enterprise making up for any shortfall in income, and some contract enterprises implement the methods of divided fund accounts and risk mortgages, and to a certain degree can bear the losses. Of course, strictly speaking, this is loss-bearing in operational responsibility terms, and the problem of an enterprise loss-bearing mechanism is not basically resolved. The implementation of the reform of separating taxes and profits also requires the study of how to establish and operate an enterprise loss-bearing mechanism. Here, when we refer to loss-bearing, it has two levels of meaning: The first is loss-bearing in terms of enterprise operational targets. When an enterprise does not complete the stipulated operational targets, what sort of responsibility should the enterprise and the operators bear? This is loss-bearing in terms of the current contract system. The other level is loss-bearing in the strict sense. That is, when an enterprise makes a loss, with what should it be made up? How should it be made up? If there are continuous losses and assets do not meet liabilities, what is to be done? At what level of losses should an enterprise be eliminated? This is

a deep-level problem and a question which the experiments in separating taxes and profits and the coordinated reforms need to study and resolve.

Third, the problem of standardization of the measures in the reform experiments to separate taxes and profits. This is actually a problem of mechanism changeover. This is because only by upholding a scientific and serious attitude and carrying out the measures strictly in accordance with the contents of the experiments will we discover the problems which actually exist, be able to earnestly reform and perfect the experimental schemes, and be able to promote a normal changeover to a new mechanism. At present, some experimental cities have adopted various flexible measures, or adopted non-standard measures in fixing the post-tax base figures. Although at the beginning of the experiments this was necessary, they should adopt the measures and perfect them. Otherwise not only will it be impossible to effectively resolve the problem of creating conditions for equal competition between enterprises, but it will also weaken the standardizing role of separating taxes and profits, and extend the process of mechanism changeover, and it may result in the problems which exist in the enterprise contract system appearing in the reform experiments to separate profits and taxes.

V. On the question of separate types of guidance for enterprise reform.

In enterprise reform we must, in accordance with different situations, carry out separate types of guidance. As a first step, we might consider division into five types: The first type would be for a number of large and medium-sized backbone enterprises and enterprise groups which affect the overall national economy, are in accord with national industrial policies, are subject to quite a great degree to mandatory planning, have onerous technological transformation tasks and have quite good levels of operations management. For these, we could implement input-output contracts, give them high autonomy and preferential policies and promote their speedier development. The second type would be for enterprises whose products have been completely freed, whose prices follow the market and which have basically entered the market (this would include enterprises which are currently engaged in experiments). For these we could gradually implement an operational mode whereby there is separation of taxes and profits, so as to fully bring into play the role of the mechanism of competition and thereby further push the enterprises toward the market. The third type would be for enterprises which are not in accord with state industrial policies, which provide products which are in oversupply, which incur heavy losses in operation and for which there is no hope of reversing the losses. For these, we could adopt economic and administrative measures, and firmly implement closure, suspension, merging and switching of policies so as to readjust the enterprise structure and product structure. The fourth type would be for enterprises which are improving. For these, we could continue to implement the contract system and

continually improve its implementation. The fifth type would be implemented in coastal regions, special economic zones, development regions and open cities. In state enterprises, we should expand the operation mode whereby, on the precondition of maintaining public ownership as the main element, there are shareholding and joint-fund operations. Or else we could introduce into state enterprises some of the mechanisms employed in the three types of enterprises which are partly or wholly foreign-owned. As to which operational mode a particular enterprise should adopt, the mode should be selected, by proceeding from reality, through appropriate guidance and practice. To sum up, through the experiments in and practice of diverse reform modes, we should gradually try to ensure that the enterprises achieve the reform target of making their own operational decisions, taking responsibility for their own profits and losses, and having the capacity for self-development and self-restraint.

Shareholding Receives Increased Recognition

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[Article by Ch'en Yi-ko (7115 0001 2047), a Hong Kong analyst of Chinese economic issues: "The PRC Higher Authorities Have Decided That There Can Be No Turning Back from Shareholding; They Have Decided That 1992's Reforms Will Be Focused On Converting Enterprise Operating Forces Which Will Be Conditioned On Developing a Market Climate and Separating Government Administration From Business Management, and Will Require the Form of Shareholding; After Years of Debate, a Consensus Is Finally Being Reached; Hainan Is Pushing Forward With Four Shareholding Plans, Other Areas Are Practicing the One Factory, Two Systems' Form, and the Higher Authorities Are Advocating Nine Ways for Converting Enterprise Operating Forces"]

[Text] Since the beginning of 1992, another intense publicity campaign for more reform and opening up to the outside world has been underway in mainland China. A new high tide of economic reform is going to be seen in 1992, which will also be a golden age for economic relations and trade activities by Taiwanese and Hong Kong businessmen in mainland China. What is actually the basis for such predictions? I might as well start from a macroeconomic perspective in making this pointed assessment of several key subjects under discussion about mainland China's reform and opening up to the outside world in 1992.

Domestic Data Have Driven the Most Recent Decision

It has been revealed that the supreme CPC policymakers had their eyes glued to certain data at a key meeting, and have long refused to see anything else. This data is as follows:

*As to growth, the GVIO from 1985 to 1990 grew at an average annual rate of 15 percent for state-owned enterprises, 26 percent for township enterprises, and 54 percent for "foreign-invested" enterprises. (Editor's note: Another article in this issue has specific data on the three kinds of foreign-invested enterprises.)

*As to performance, output value per worker in certain coastal cities averaged 26,400 yuan for state-owned industrial enterprises, but 75,400 yuan for "foreign-invested" enterprises. And profits and taxes per worker averaged 3,800 yuan for state-owned industrial enterprises, but 7,400 yuan for "foreign-invested" enterprises.

A comparative analysis of this data shows clearly (to the CPC policymakers) that the difference in vitality of the various enterprise types is due certainly not to the difference in form of ownership, but rather mainly to the different management systems practiced by enterprises of various forms of ownership, out of which different operating forces have evolved. Their "basic conclusion" is that management system determines operating forces, which in turn determine enterprise vitality.

This "conclusion" does not hold water from the general overseas point of view. This is because "foreign-invested" enterprises, which clearly have a capitalist form of ownership and operate according to market economy forces, are much superior to socialist enterprises. Moreover, this "conclusion" bypasses the most basic ownership issue, being aimed instead only at the operating forces issue that derives from the form of ownership. It is quite obvious that this was a tactful political consideration.

Leaving this debate aside for the time, the key point is that this data and similar things have driven a far-reaching decision by the supreme CPC policymakers. This decision has then turned into the central focus of 1992's economic reform—converting enterprise operating forces.

Is There No Space in Which for State-Owned Enterprises To Exist?

In this key decisionmaking process, economic conditions have quietly changed, of which the following are real examples:

1. The news from Xiamen, Fujian is that the municipal government has decided to stop investing in new state-owned enterprises for some years to come, and to use its limited funds instead for capital construction, in order to attract investment. This is because pressured by the might of "foreign-invested" enterprises, many state-owned enterprises are already having trouble just surviving. Some are worried that the increasing numbers of "foreign-invested" enterprises will swallow up markets and raw materials, making it even harder for state-owned enterprises to operate;

2. The most recent conditions show that the "dual external-orientation" of Guangdong's economy is "escalating," with a new form of externally-oriented manufacturing and assembly having already ventured forth. While "dual external-orientation" used to mean that foreign businessmen provided (imported) raw materials and components for domestic assembly and manufacturing, the products of which were then turned back over to foreign businessmen for marketing (overseas), it now means in the Zhu Jiang Delta that foreign businessmen not only provide imported raw materials and components, but also build factories and carry out production. From 1989 to 1990 in the city of Dongguan, over 350 such large projects costing over \$5 million HK each were built. A large production complex has appeared there, composed of factories, such as the Xieyi Electronics Plant in Dongguan (the world's largest microelectronics machine manufacturing plant, with a Japanese corporate investment of \$160 million HK), and "Electronics City" in Henggangzhen, "Toy City" in Bujizhen, and "Famous Shoe City" in Longgangzhen, all in Bao'an County.

These conditions have put great pressure on state-owned enterprises and the supreme CPC policymakers to turn from basically revamping state-owned enterprises to creating a space in which for them to exist, which is to be accomplished through "converting enterprise operating forces."

What Is the Meaning of "Converting Enterprise Operating Forces?"

When speaking of 1992's reform plans at a meeting of the State Council at the end of 1991, Premier Li Peng spoke as follows: Our reform principle is that "as everything comes through experimentation, we must establish first and destroy later." Our reform priority is "converting enterprise operating forces." Reform will involve systems, such as personnel, labor and employment, cadre appointment, distribution within enterprises, housing, medical care, and labor insurance. These reform plans will be focused on the single aim of turning enterprises into (real) economic entities with independent management decisionmaking power through "converting enterprise operating forces."

As "converting enterprise operating forces" is the focus of reform, what specific contents does it actually include?

The standard answer to this, in the wording of a document drawn up by the State Council's State Restructuring of the Economic System Commission, is that "enterprise operating forces can be summed up in the two key aims of independent management decision-making power, and sole responsibility for both profits and losses. As these two key forces lead to competition, which in turn produces incentive forces, self-restraint forces, and elimination through competition mechanisms, enterprise operating forces must be converted to achieve these two key aims."

State-owned enterprises in mainland China now come in the following forms: 1) State-owned and government-operated, with central responsibility for profits and losses. 2) State-owned, with limited independent enterprise management decisionmaking power and limited responsibility for profits and losses [the most common current form being the contract (management responsibility) system]. 3) State-owned, with independent management decisionmaking power and full responsibility for profits and losses (joint ventures between state-owned enterprises and foreign businessmen). 4) Jointly-owned, with independent enterprise management decisionmaking power and full responsibility for profits and losses (such as Sino-foreign joint ventures and shareholding enterprises, which are no longer simply state-owned).

As most mainland Chinese state-owned enterprises have already made the transition from the first form to the second, the purpose of "converting enterprise operating forces" is to help most state-owned enterprises make the further transition from the second form to the third or fourth one. The PRC higher authorities feel that this will be the most important and also the most difficult step in achieving the conversion of enterprise operating forces.

"Independent management decisionmaking power and full responsibility for both profits and losses" is an enterprise reform goal that was set forth by the CPC Central Committee long ago. Reform experience has brought the senior PRC policymakers to the realization that the key reason why this goal has not yet been achieved is the lack of a key condition and a key form of realization needed for independent enterprise management decisionmaking power and full responsibility for both profits and losses. The key condition is development of a market climate and separation of government administration from business management, so that enterprises can become true economic entities, and the effective form of realization is shareholding.

The Consensus Being Reached on Shareholding

It is precisely on these two key issues of condition and form that the hardline and reform factions have long been locked in theoretical debate. People are probably very familiar with this controversy, which goes as follows: "It is necessary to prevent the peaceful evolution (directed against shareholding) of the ownership system." "Whether market regulation or planned economy should dominate is a question of principle as to whether the socialist road is being adhered to or not." These years of debate are fortunately leading to a general consensus.

After "the Beijing massacre" on 4 June 1989, a great test of strength broke out between the hardline and reform factions over whether planned or commodity economy should actually dominate, whether it was necessary to combine the two, and how this could be done, which finally ended with Deng Xiaoping working things out face to face with Chen Yun. It is understood that Deng

said that the current issue was how, not whether it was necessary, to combine "markets with planning."

While the debate over shareholding has gone on even longer, with more serious differences of opinion, severe enterprise operating difficulties are finally bringing everyone to a consensus on shareholding.

It is understood that in a questionnaire put to experts in several organs subordinate to the State Council before the end of 1991, 52.9 percent responded that the best way to convert enterprise operating forces was through "shareholding," while 95.7 percent proposed that shareholding should be vigorously popularized through an increased number of pilot projects. These figures show that views have fundamentally changed in relation to a few years ago.

Hainan Is Practicing Shareholding Boldly

It is understood that Hainan Province, the PRC's biggest SEZ (as well as its comprehensive testing ground for reform), will boldly pursue shareholding reforms in 1992. The word is that shareholding reforms in the Hainan SEZ will have national significance.

In November 1991, as a key plank of the central reform plan, the State Council's State Restructuring of the Economic System Commission and the Hainan provincial government jointly established the "China (Hainan) Reform Development Studies Institute" in the city of Haikou (the capital of Hainan). The first major action that this institute took after it was established was to hold a "Forum On Shareholding Reforms in Large and Mid-Sized Enterprises" in December 1991, where a special discussion was held on reform measures and implementation plans for the transition of large and mid-sized enterprises from contract management to shareholding. Within this general setting, Hainan is pushing forward in 1992 with the following bold plans:

- *1. It is using shareholding to upgrade existing enterprises and organize and establish new ones. In upgrading existing enterprises, it is using the form of stock rights investment to improve the quality of a number of state-owned enterprises. And in organizing and establishing new enterprises, it is using the forms of public share fundraising (a bit like public stock wholesaling) and cooperative shareholding to develop merged urban-rural enterprises.
- *2. It is choosing and allowing well-qualified enterprises to make public stock issues.
- *3. It is considering the establishment of property rights exchange markets (the difference between property rights exchange markets and stock exchange markets is that most of the traders in property rights exchange markets are institutional and corporate shareholders who own sizeable amounts of stock rights, while traders in stock exchange markets include individual shareholders who hold public stocks. Until stock issues are launched on a large scale, the establishment of property

rights exchange markets will be a major step in cooperating with shareholding reforms). Property rights exchange markets can conduct transactions, such as enterprise mergers, auctions, share sales and share transfers.

*4. It is guiding staff members and workers in contracted enterprises to convert from contract venture guarantees to individual shareholding. This reform experience will be quite important for the whole country and, if successful, will sharply speed up shareholding reforms.

It is also said that the central government is considering a second list of cities in which to open up stock markets (which will include places, such as Guangzhou, Xiamen, and Hainan). But I think that, as the establishment of stock markets requires many favorable external and internal conditions, for which even the current stock markets in Shanghai and Shenzhen are still waiting, the CPC Central Committee is not likely to rashly open up stock markets in a second group of cities. However, there are certainly no conflicts involved in temporarily controlling the number of stock markets, while pushing ahead vigorously with shareholding reforms.

The Nine Ways for Converting Enterprise Operating Forces

The view of the CPC policymakers is that conversion of enterprise operating forces must occur "in groups and naturally," based on the various types of enterprises. In this batch process, new forms are emerging in an endless stream. For instance, when the Tianjin Steel Can Manufacturing Plant imported a production line and set up a new shop, it took advantage of the opportunity to practice "foreign-invested" enterprise operating methods in the new shop, from which the "one factory, two systems" form has emerged. Taking another example, the Shanghai Electrical Equipment Factory, which has three branch factories, has taken advantage of a technology and fund import opportunity to reorganize one branch factory and one shop in each of its other two branch factories into a Sino-foreign joint-venture limited-liability corporation, in which the headquarters factory controls the stock.

The PRC higher authorities are now providing the following nine major ways for "converting enterprise operating forces:"

1. Attracting foreign investment to reorganize state-owned enterprises into Sino-foreign joint-venture limited-liability corporations (which is widely favored and gradually becoming the major way).
2. State-owned enterprises taking in investment from nonstate-owned enterprises as shareholders, and taking advantage of this opportunity to turn state-owned enterprises into limited-liability corporations.
3. Advocating that state-owned enterprises invest in each other as shareholders, on which basis they become limited-liability corporations.

4. Reorganizing from the start newly established enterprises that are funded by more than one party according to the rules of limited-liability corporations.

5. Allowing state-owned enterprises in SEZ's that already have independent management decisionmaking power to voluntarily convert to limited-liability corporations.

6. Making it possible on a large scale for state-owned enterprises in EDZ's to convert to limited-liability corporations.

7. Allowing some qualified enterprises that are not in SEZ's or EDZ's to practice special systems in transition to limited-liability shareholding corporations.

8. Allowing localities that are not qualified to practice "special systems" to choose one or several shops from a number of enterprises in which to practice a special system, i.e., the so-called "one factory, two systems" form, which will then be gradually turned into a "one factory, one system" form of limited-liability corporations.

9. Advocating that SEZ and EDZ enterprises use their corporate status to contract or lease state-owned enterprises, in which the SEZ and EDZ management system will be practiced, which will promote the conversion of enterprise operating forces.

It is understood that the key idea of these nine ways for converting enterprise operating forces came from a long internal report by the senior CPC statesman Bo Yibo. This shows that the reforms that are underway to convert enterprise operating forces, which are characterized mostly by a transition to shareholding, have already advanced in the view of the supreme CPC policymakers to the point where they will no longer wait.

PROVINCIAL

Economic Prospects for Chiang Jiang Valley Viewed

HK0604140592 Hong Kong ZHONGGUO TONGXUN SHE in English 1312 GMT 6 Apr 92

[Text] Beijing, April 6 (HKCNA)—The speeding up of reform and opening to the outside world along with the development of the national economy was the theme of the just-ended sessions of the National People's Congress as well as the Chinese People's Political Consultative Conference. The development of the Pudong New Zone in Shanghai and the construction of the Three Gorges Project dominated the sessions. Judging from its geographic location, if one considers the Yangtze River as a dragon, the Pudong is the head, Wuhan the body, the Three Gorges the heart and Chongqing the tail. The development of Pudong and the Three Gorges Project are thus considered significant to the development of the Yangtze River valleys.

Premier Li Peng in his "Government Work Report" listed the development of Pudong as the key project for reform and openness over the coming decade, making Pudong a driving force to spur on economic development of the Yangtze River Delta and even the Yangtze River valleys as a whole, and eventually enabling Shanghai to be one of the economic, financial and trade centres in the Far East. That is to say, the development of Pudong is a project in which the exploitation of the eastern part of China invigorates and joins forces with the western part of the country, thereby making a sound coordination of economic links between Shanghai together with the Yangtze River valleys with the international community. This being the case, provinces and cities along the river gave an enthusiastic response to the Pudong project.

Jiangsu Province with its close geographic links with Shanghai will respond to the development of Pudong by speeding up the construction of an economic corridor along the river covering the seven cities of Nantong, Suzhou, Wuxi, Changzhou, Yangzhou, Zhenjiang and Nanjing. Anhui Province, in an early response made the previous year, will develop the four cities of Wuhu, Maanshan, Tongling and Anqing along with the three prefectures of Chaoahu, Chizhou and Xuancheng into development zones to match the exploitation of Pudong.

Jiangxi Province is prepared to set up the Nanchang—Jiujiang Industrial Corridor in a bid to open Jiujiang, an important city situated on the bank of the Yangtze River, for the development of the hinterland's economy by capitalizing on the development of Pudong. Hubei Province, located in the middle reaches of the river, has its Yangtze River economic belt under construction involving the setting up of the Dunkou Saden Industrial Development Zone, the Donghu New High-Tech Development Zone, the Yangluo Comprehensive Economic Development Zone, all in Wuhan and the New High-Tech Development Zone in Ezhou, a strategy of focusing on the middle part of the area.

Hunan Province employed the strategy of moving southwards and pushing eastwards at the same time with the aim of striking a close match with the development of the Yangtze River valleys through use of the Beijing-Guangzhou railway as well as the river. Situated at the upper reaches of the river, Sichuan Province planned to give priority to the building up of state-level new high-tech development zones in Chengdu and Chongqing along with the Taiwan-funded investment zone in Chongqing. Key development for the utilization of resources will take place in Panxi and Yibin. Four items of consensus were reached in 1991 when representatives from five provinces and autonomous regions of south-western China gathered together in Chongqing to make a decision on undertaking full-scale openness to match the Pudong development.

China is now studying an idea of setting up an economic community of the Yangtze River valleys which would be divided into four regions including the Yangtze River

Delta economic zone with Shanghai as its centre, the economic coordinated zone in the lower reaches of the Yangtze River with Nanjing as its core, the economic coordinated zone in the middle reaches of the Yangtze River with Wuhan as its hub and the economic coordinated zone in the upper reaches of the Yangtze River with Chongqing as its heart.

Proposals put forward by experts indicated that such an economic community could develop into several major systems, including an ecological agricultural system featuring commercialization, professionalization and intensiveness. Others would involve a comprehensive transport system with water transport as its trunk supplemented by railways, highways and air services; an energy system along the river's valleys featuring hydro-electric as well as coal-fired power generation; an urban system along the river with a balanced and rational structure and scale and a market system along the river's valleys bearing multi-functions and prosperity.

There are signs that the Yangtze River valleys together with the eastern coastal area will be regions where key development will take place within this century and in an even longer period. It was widely acknowledged that the exploitation of the Mississippi River once played a decisive role in the economic development of the United States. As the comprehensive conditions possessed by the Yangtze River are better than those possessed by the Mississippi River, the Yangtze River will play the same irreplaceable role as the Mississippi did to the United States in China's future economic development.

Anhui Rebuilds Economy After Flood

92CE0387A Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 8, 24 Feb 92 pp 3-4

[Article by Wang Zhengzhong (3769 2973 1813): "Anhui Optimistic of Economic Recovery After Disaster"]

[Text] In 1991, Anhui Province was hit by an exceptionally serious flood and waterlogging disaster, and damages were estimated at 27.5 billion yuan, equivalent to five years' total revenues of the province going down the drain.

How did the disaster affect Anhui's economic development? People in the economic circles hold that although the serious disaster has caused great losses to Anhui's economy, it has also given the province a new opportunity for economic development. There is rising hope for economic reconstruction in post-disaster Anhui.

Losses: More Agricultural Than Industrial

The flood-affected areas in Anhui last year were mainly in the Huaihe and Chuhe valleys and around Chaoahu Lake. These are Anhui's major farm belts, and so agriculture was hit the hardest. According to a survey, more than 75 million mu (5 million hectares) of cropland, or three quarters of the sown area in the province, were flooded. The crops on more than 20 million mu (more

than 1.33 million hectares) of the affected area were destroyed completely. The output of 12 major agricultural and sideline products, except for silkworm cocoons and aquatic products which increased somewhat, all dropped by varying degrees as compared with the previous year. The combined summer and autumn grain output dropped by about 10 billion kg, or 30.5 percent, from the previous year; cotton output was 1.8 million dan below the original estimate; and tea, draft animals, hogs, eggs, and dairy products dropped by 10.4 percent, 13.5 percent, 10.9 percent, 22.3 percent, and 15.4 percent respectively from the previous year.

Although Anhui's industry suffered a total loss of 11.4 billion yuan, only 4.25 billion yuan of which were direct losses. Especially when the flood came, it was diverted and stored in a planned way, sacrificing some local interests to protect the interests of the whole, particularly the cities. As a result, the coal and power production bases and large and medium-sized key enterprises were well protected, and the production capacities of industrial units at and above the county level suffered no serious damage. Among the town and township enterprises which suffered devastating blows, most were brick kilns and agricultural and sideline products processing plants in the severely stricken areas. Xu Qing [1776 0615], chairman of the Anhui Provincial Economic Commission, pointed out analytically that last year a total of 27,153 industrial enterprises in Anhui stopped or partially stopped production because of the flood, but less than 20 percent of the total were enterprises at and above the county level, and 80 percent were town and township enterprises. Most of these enterprises were forced to stop production because their plants were inundated. A smaller number of them were forced to stop production completely or partially, because transportation was blocked by the flood and there was no way to bring raw and semifinished materials in and ship products out. By trade, 83 percent were of these enterprises were of the building materials industry.

As shown by information provided by the Anhui Provincial Economic Commission, except for a shortfall in production caused by the flood in July, the industrial growth rate in Anhui has returned to normal since August last year. Anhui's total industrial output value was 53.58 billion yuan in 1991, a 10.6 percent increase over 1990. The increase was 9 percent for large and medium-sized enterprises. This shows that Anhui's industrial production capacity and vitality were not seriously hurt.

Anhui's major export products are coal, iron and steel, petrochemicals, textiles, frozen pork, etc., which were not seriously affected by the flood. Last year Anhui's exports totaled more than \$700 million, a 7.7 percent increase over the previous year.

In view of the above-mentioned circumstances, people in Anhui's economic circles hold that due to the flood, the production and purchase of some agricultural and sideline products, such as grain, cotton, tobacco, and so

forth, raw materials for the processing industries, were reduced, and this inevitably had an adverse effect on related industries including the food, wine-making, textile, tobacco, and other industries. At the same time, because the peasants' income was lower than in the previous year (estimated to be 4.3 billion yuan, a reduction of 100 yuan per capita) and because of the losses in peasant family savings in severely stricken areas, the peasants' purchasing power fell sharply, which will be reflected in the market of some industrial goods.

After the Flood: Conditions Unchanged in the Province

However, people in the economic circles point out that Anhui's basic conditions have not been changed by the flood. For example, the superior geographical condition of being located along rivers and near the sea has not changed; the abundance in natural resources has not changed; the fairly well developed railways, waterways, highways, air transport, and telecommunications facilities have not changed; the superior land, irrigational, and climatic conditions for agricultural development, as compared with other regions, have not changed; the relatively strong scientific research force, which means a greater potential for scientific and technological development, has not changed; and the production capacities of industries at and above the county level, especially the large and medium-sized enterprises, have not changed. Only the wealth accumulated by the peasants for many years sustained the greatest losses.

Hence, the idea is for industry to help agriculture recover and support agricultural production in order to rebuild Anhui's economy. Experts analyze: agricultural production is highly seasonal; it will take some time to restore production; and some losses cannot be made up by agriculture alone. In contrast, industrial production is generally not affected by seasonal changes and can be restored and show results quickly. Therefore, stepping up industrial production and transport services on a priority basis will make up for the losses caused by the flood to the greatest possible extent and in the shortest possible time.

As Mr Long Nian [7893 1819], vice governor of Anhui Province, sees it, the industrial enterprises are a major source of revenues and a main support for flood control and relief. Only when the industrial enterprises are producing good economic results, will reliable funds and supplies be available for the province to combat flood, provide disaster relief, and rebuild the homeland.

Seize the Opportunity and Rebuild the Economy

Wu Changqi [0702 2490 2601], another vice governor of Anhui Province, feels that to rebuild the economy after the great disaster, we must aim at improving the economic performance of the province as a whole. He put forward the following guidelines: —Mobilize the masses to help themselves by engaging in production and recovering from the ravages of the flood as quickly as possible. After the disaster, the central government has given

Anhui a large amount of money for disaster relief and to restore production. The amount is unprecedented, comparing with past state investments in the province, but barely enough to provide emergency relief for people extremely hard-hit by the flood, considering the magnitude of the disaster. Therefore, to fully recover from the flood disaster, we must mobilize the masses to rely on their own efforts. At present, self-help should be focused on fighting a possible drought and saving the seedlings, striving to achieve a good harvest this year; a full-scale work-relief program should be launched to quickly rebuild the irrigational and other basic facilities; arrangements should be made according to local conditions for the restoration of fishing, sand mining, weaving, quarrying, and other kinds of sideline production; vigorous efforts should be made to bring the town and township enterprises back into production, in fields which promise markets, high returns, and quick results; and action should be taken to promote service exports in a planned way. —**Fully implement the central government's preferential policies for disaster relief in Anhui.** In order to help Anhui overcome the difficulties caused by the flood as quickly as possible, the central government has given Anhui special preferential policies. For example, agricultural tax, procurement quotas, and various funds set aside for turning over to the state will be exempted or reduced in stricken areas; taxes will be exempted or reduced for those who help themselves after the disaster by producing and selling their own goods or transporting small quantities of goods for sale, on the production of building materials for the repair of dikes and houses destroyed by the flood, on the construction of flood-control, disaster-relief, and various other rehabilitation projects, on the supply of flood-prevention and relief materials, on purchases of agricultural and sideline products in stricken areas, on activities in support of production and transport of goods and materials in stricken areas, and on theatrical performances and sales of goods for relief; levies of energy fund, transport fund, and regulatory tax will be exempted or reduced on investments by flood-affected enterprises, establishments, and areas in restoration projects; and customs duties will be exempted or reduced on general relief supplies and components and parts for the repair and maintenance of water-damaged equipment imported by stricken areas and relief supplies purchased with donations from abroad. If implemented properly, fully, and with flexibility, these preferential policies will give a great impetus to Anhui's recovery and development. —**Pay serious attention to readjusting the economic structure.** Located between the coastal areas and the interior and with a great many tourist attractions, Anhui has favorable conditions for developing the tertiary industry, which is a focal point for future development. In order to use resources with greater efficiency, industry, agriculture, and commerce should be properly linked and proportioned, and so should the upper, middle, and lower levels of industries, according to Anhui's actual conditions. Within agriculture, it is necessary to properly handle the relationship between crop farming, animal husbandry, and processing and the relationship between

grain crops and industrial crops, and, while keeping grain production increasing steadily, to increase the proportions of animal husbandry and town and township enterprises. All trades and industries should combine restoration of production with readjustment of the product mix. Production should be restored on a solid market basis, increasing production of goods which are in great demand, limiting production of goods which are slow-selling, and stopping production of goods which are already overstocked. Enterprises, which should have been closed down or switched to other kinds of production even before the flood, should now look for a new way out in their recovery. The purchasing power has plummeted in stricken areas, and there may be demands for some low-grade goods in the near future. Enterprises should take advantage of this opportunity to reduce their overstocked inventories, thus solving a difficult problem, and then upgrade their products, turning the disaster into a driving force for further readjustment of the product mix. —**Deepen the reform and open wider to the outside world.** We should seize the opportunity to push forward and deepen the reform of enterprises, really give enterprises the power to make their own operational decisions, strengthen their internal management, increase their sense of the market, and further increase their inner vitality to heal their "internal disorders"; develop a socialized service network in the rural areas and speed up the reform of the rural circulation system and the management system of town and township enterprises; speed up the structural readjustment of the production organizations and promote the formation of enterprise groups, particularly integrated organizations combining agricultural, industrial, and commercial enterprises or production, supply, and marketing operations; and break down the regional and departmental barriers, speed up the reform of the circulation system, reduce in a suitable way the scope of the mandatory plans, relax the price control, remove the checkpoints, and create an easy and relaxed environment for commodity circulation. At the same time, we should speed up the pace of development and opening of the four riverside cities (Maanshan, Wuhu, Tongling, and Anqing); pay serious attention to the four cities' major infrastructural construction, major capital construction, and technological transformation projects, and large and medium-sized joint economic organizations; while insuring continued success of the existing enterprises with foreign investment, act to develop more of this type of efficient enterprises; and do a good job in opening the Wuhu port to foreign ships, facilitating exports by Wuhu City on its own, and the construction of the small development zones and ancillary projects in Wuhu. The expanded opening of the four riverside cities will give an impetus to the opening of the entire province to the outside world and accelerate Anhui's economic growth.

Observers here hold that the great disaster has not caused fundamental changes in Anhui's conditions, and that the original development strategies and goals can remain unchanged, though measures for their implementation can be readjusted appropriately. In some areas,

the achievement of a fairly comfortable living standard may have to be delayed a few years. However, because the pace of reform and opening to the outside world can be accelerated further, the prospects are good for Anhui's economic recovery.

FINANCE, BANKING

Bank of China Role in Reform, Opening Up Viewed
 92CE0337A Hong Kong LIAOWANG OVERSEAS
 EDITION in Chinese No 5, 3 Feb 92 pp 16-17

[Article by Sun Furong (1327 5346 5554): "Bank of China Plays a Major Role in Reform"]

[Text] After 80 years in the business, particularly following its spectacular progress in the last decade, the Bank of China has been playing a momentous role in the reform, open policy, and modernization of China even as it confronts a complicated and confusing international economic macroclimate and a highly knowledge-intensive and specialized international banking scene.

The predecessor of the Bank of China was the Hubu Bank founded in 1905, subsequently renamed Daqing Bank in 1908. In January 1912 Daqing Bank was reorganized as the Bank of China with the permission of Provisional President Sun Yat-sen. On 5 February of the same year, the bank formally opened for business in Shanghai. After New China was founded, the Bank of China was designated by the state to specialize in the handling of foreign exchange.

Today the Bank of China has over 430 overseas organizations in 14 nations and regions, and more than 1,450 agents at home and abroad. Its assets exceed 1,000 billion yuan, a 21-fold increase over 1987.

Financially Solid; Supportive of Urban and Rural Construction

The Bank of China has been expanding its operations rapidly with remarkable success in the dozen years since reform began and the open policy was launched.

- It runs the state reserves, maintaining state foreign exchange reserves at a sound level and increasing its economic value steadily. In 1990, China's foreign exchange reserves totaled \$28,594,000,000, up from \$11,125,000,000 in 1982.
- It is the state's main instrument for raising capital overseas. Ever since 1978, when the Bank of China signed its first loan agreement with Western banks, it has never stopped opening up new channels and tapping new markets and succeeded in raising tens of billions of dollars in foreign exchange for the state. During the past decade, the Bank of China concluded \$20.9 billion worth of agreements on government loans, mixed loans, and buyer's credits with financial institutions in 19 countries. The total amount of loans

approved amounted to \$9.7 billion. Since 1984, the Bank of China has successively issued 15 bond packages denominated in the dollar, yen, and other currencies with a combined value of \$2.3 billion in major capital markets around the world including Tokyo, Frankfurt, Singapore, and London. The Bank of China has taken the lead in putting together international syndicated loans raising \$1.3 billion to finance several major state projects.

- A primary mission of the Bank of China is to support the development of foreign trade and the earning of foreign exchange through exporting. Between 1979 and 1990, the Bank of China made foreign trade loans totaling 2,800 billion yuan. During the same period, Chinese exports amounted to \$806.3 billion. The Bank of China also has accelerated exchange collection and settlement, intensified bank-trade cooperation, and provided foreign trade enterprises with a range of services.
- The Bank of China assists foreign investors in setting up enterprises in China. By making renminbi or foreign-currency loans, acting as a guarantor, providing information and consulting services, and through account settlement, the Bank of China has steadily improved the financial climate for foreign businesses who want to invest in China and selectively supported a host of foreign-funded enterprises which are technology-intensive or which turn out products that substitute for imports or are exported to earn foreign exchange. As of late 1990, the Bank of China has lent a total of \$8 billion and 40 billion yuan to over 7,000 foreign-funded enterprises.
- The Bank of China has issued energy loans totaling \$9.4 billion to build coal mines in Shanxi and Inner Mongolia and the Daya Bay nuclear power plant. It has made a \$5.6 billion loan to the China Ocean Shipping Company to help finance the construction of almost 100 ships by the shipbuilding industry at home, some of the ships to be exported. It also has supported the purchase by the civil aviation authorities of nearly 100 aircraft.

Stabilizing Hong Kong as a Financial Center

The golden era of the Bank of China Group in Hong Kong and Macao began in the early 1980s when it was newly energized by the decision by the motherland to embark on reform and opening up to the outside world. By ensuring Hong Kong's stability and prosperity, the Sino-British Joint Declaration affirming "one nation, two systems" has also created the conditions for the Bank of China Group to flourish.

In accordance with the principle of putting down roots in and serving Hong Kong and Macao, the Bank of China Group has increased its range of products and expanded its scope of operations diligently to meet the needs of industry and commerce in Hong Kong as well as the needs of its citizens. As a financial institution in the Hong Kong and Macao area, the Bank of China Group

considers the maintenance of the prosperity and stability of Hong Kong's financial market and the consolidation and strengthening of its position as an international financial center to be in the group's basic interest. The Bank of China sincerely cooperates with all measures by the local government to stabilize Hong Kong's financial market. In 1985, Ka Wah Bank briefly experienced some difficulties. The Bank of China and the Hong Kong and Shanghai Banking Corporation jointly extended a reserve loan to the Ka Wah Bank to tide it over a difficult period. In 1987, stock markets crashed around the world, sending the Hong Kong stock market into a tailspin. Working with the Hong Kong and Shanghai Banking Corporation and the Chartered Bank, the Bank of China provided a huge reserve loan to prevent the local stock market from collapsing. Lord Young, the British secretary of state for trade and industry, was prompted to say, "The string of supportive actions the Bank of China has taken to stabilize Hong Kong financially clearly demonstrates the enormous importance China attaches to Hong Kong's continuation as an international financial and trade center." Since early 1988 the steady depreciation of the dollar has put the exchange rate of the Hong Kong currency under enormous pressure. The Bank of China has been working with authorities to stabilize the currency.

In conjunction with the local government's "home ownership" program aimed at professionals and the middle class, the Bank of China in recent years has been making housing loans and built a large stock of low-cost housing for low-income residents. The Bank of China's various sister banks have gone into the mortgage business, making loans to residents to buy homes, some of which can be paid off in as long as 25 years. These mortgage programs have proved immensely popular among a broad section of fellow countrymen and more than \$30 billion have been lent. To meet the needs of market development and user demand, the Bank of China has introduced an endless variety of new products such as "banking by telephone" and "foreign exchange night market" and offers an award to encourage young local industrialists. Armed with a single account book, a customer can deposit or obtain funds in 19 foreign currencies, including almost all major currencies in circulation in the world.

Today the Bank of China Group has grown to be the largest financial group in Hong Kong and Macao after the Hong Kong and Shanghai Banking Corporation, the total assets of its 14 sister banks amounting to hundreds of millions of Hong Kong dollars. It boasts 78 affiliated organizations in such areas as investment, finance, credit card, securities, insurance, precious metals, and tourism. It forms a network of over 320 branches and service outlets, which can be found all over Hong Kong, Macao, Shenzhen, Zhuhai, Beijing, Haikou, Fuzhou, Xiamen, and San Francisco in the United States

Bridgehead in a Special Economic Zone

The emerald-green Shenzhen National Finance Building symbolizes the enviable "Shenzhen speed." In the coming decade, Shenzhen will make the transition from speed to profitability. Li Zuoqi [2621 0146 3217], manager of the Shenzhen branch of the Bank of China, told reporters in the building that from a lone foreign currency exchange outpost before the establishment of the Shenzhen Special Economic Zone, the Bank of China in Shenzhen now has over a dozen branches and 2,700 employees, a corps of young workers whose average age is a tender 27. The Bank of China in Shenzhen earned 399.6 million yuan in profit in 1991, up from 170 million yuan in 1988.

As early as 5 or 6 years ago, the Shenzhen branch of the Bank of China began an experiment to improve efficiency. On the mainland, the current account desk is manned by two employees. The Bank of China in Shenzhen, in contrast, decided to staff it with one employee, a long-established practice at banks in Hong Kong and overseas.

"29888," "29898...." An observant person would notice that no safety deposit box at the Shenzhen branch of the Bank of China has a number one does not like. Whether he is from Hong Kong, Macao, Shenzhen, or overseas, a customer can get an auspicious number. Just these numbers alone provides ample evidence of the bank's careful attention to customer service.

In its next move, the bank will graduate from credit certificate management to risk property management, which is in line with international practices. Manager Li Zuoqi said that once that is accomplished, there will be a qualitative change in the bank, enabling it to position itself among leading international banks in the world. The Shenzhen branch of the Bank of China will be involved in every experiment so as to play a role in financial interactions between Hong Kong and the mainland.

"The 10-Year Plan and Eighth 5-Year Plan of the Bank of China" lays down the bank's overall development goal for the institution by the end of the century: Work hard to turn itself into a first-rate major international bank that has an outstanding reputation and is financially solid and capable of providing multiple highly efficient and good-quality services. Bursting with confidence, the Bank of China is well on its way toward achieving this goal.

LABOR

Article Views Labor Incentive Mechanism

HK0805053092 Beijing JINGJI YANJIU
in Chinese No 1, 20 Jan 92 pp 64-69

[Article by Hu Ruyin (5170 3067 6892), Eastern China College of Chemical Industry Economic Development Research Institute, written in August 1991, edited by Lu

Wen (7120 2429): "Encouragement Mechanism and Labor Supply Behavior in State-Owned Enterprises"]

[Text] I. Introduction

To all countries, all regions, and all enterprise: it is of utmost significance to stimulate the enthusiasm and eagerness of laborers in their work. Today, basically speaking, under the circumstances where both the production technology and capital are easily available externally, everything, be it the vitality or competitiveness of a single enterprise, or that of the whole national economy, and be it the microeconomic results or macroeconomic ones, must depend on the efficiency and efforts of individual laborers, which depends on the work incentive mechanism and the labor supply behavior.

At present, China's state-owned enterprises are generally not vigorous enough, and this has noticeably caused unfavorable influences on the operations and development of the national economy as a whole. One of the major reasons China's state-owned enterprises are not vigorous enough is that we could not effectively stimulate the enthusiasm of the ordinary laborers in state-run enterprises and sectors in production. The issue of ownership was not the major cause for having such an excessively low level of enthusiasm in production among these ordinary laborers, who earned their wages by working in state-owned enterprises. Instead, this was because of other reasons concerning the mechanism and policy-making. More specifically, this was mainly because the labor incentive mechanism of China's state-owned enterprises and sectors was seriously distorted. This distorted incentive mechanism made laborers unable to enhance their self-interests by making more contributions to the production of enterprises, so the enterprises' goal of production development could not accord with laborers' goal of individual needs. This thus dampened to the largest extent the enthusiasm of laborers, caused workers of these enterprises to reduce their effective labor hours and effective supply of labor, and brought a dramatic drop in the enthusiasm of ordinary laborers. In the second half of 1989, in our questionnaire survey among 1,000 workers working in 50 large and medium-sized state-run enterprises in Shanghai area (Footnote—"Thoughts on Difficulties Faced By, and Solutions For, Large and Medium-Sized State-Owned Enterprises," and "Development and Reforms: Studies on Several Major Economic Issues" by Hu Ruyin, published by SHANGHAI RENMIN CHUBANSHE, 1990 edition, pp 503-519), 22.5 percent of the respondents held that "in the last year or two, the labor enthusiasm of ordinary workers in their enterprises was at the lowest level since liberation," 12.1 percent held that it was "at the lowest level since the crushing of the 'Gang of Four,'" 29.9 percent held that it was "at the lowest level since the implementation of reforms and opening up." Their number accounted for 64.4 percent of the total. The result of this survey directly provided us

evidence regarding the excessively low level of enthusiasm among ordinary workers of state-owned enterprises.

The utilization rate of internal human resources, or the rate of labor management, of an enterprise is the key to internal management for an enterprise, as well as a major decisive factor for effectively operating an enterprise, and for an enterprise to achieve successes. The excessively low level of labor enthusiasm in general indicated that the utilization rate of human resources in state-owned enterprises and sectors was excessively low; and further indicated that the economy of state-owned enterprises and sectors was relatively dwindling and declining. In terms of gross output value, in China's industrial production domain, the state-owned industries or industries owned by the whole people grew only 2.9 percent in 1990; whereas industries not owned by the state grew more rapid than that: Industries owned by collectives grew 9.1 percent (including 12.5 percent of growth achieved by village-owned industries), industries owned by individuals grew 21.6 percent, industries run by foreign-invested enterprises grew 56 percent. (Footnote—"1990 Statistics Bulletin on National Economy and Social Development" by the State Statistics Bureau, ZHONGGUO TONGJI XINXI BAO, First Edition, 25 February 1991) Such a relatively low growth rate made by state-owned enterprises and sectors was manifested when they competed with town and township enterprises with poor technological conditions for commencing their business, and when they competed with other locally funded enterprises not owned by the state. In this case, the technological advantages of state-owned enterprises, which originally had these advantages, were offset by the excessively inefficient internal labor. This also manifested that the development difference between foreign-invested enterprises and state-owned enterprises was widening. This thus indicated that the room for state-owned enterprises to survive and develop in China's market was reducing. Furthermore, as a result of poor labor management and excessively low rate of internal efficiency, when China's state-owned enterprises competed with foreign enterprises on the international market, their cheap labor, which was originally one of their advantages, was, to a considerable extent, offset by their excessively inefficient labor. Such inefficiency no longer cut the cost of labor. Instead, it pushed up the cost of labor, thereby magnifying the difficulties in terms of cost and other areas when these enterprises entered the international market and putting these enterprises in an unfavorable position regarding international competition. If the problem concerning the excessively low level of internal labor enthusiasm and labor efficiency of state-owned enterprises and sectors is not thoroughly solved, China's state-owned enterprises and sectors will continue to dwindle and decline. In terms of long-term development, many of the state-owned enterprises will encounter difficulties, will be unable to survive in China's competitive market or the overseas markets, and

will bring extremely adverse effects on the work of maintaining a steady growth in society and economy as a whole.

Of course, the present symptom that the internal rate of efficiency, and the labor enthusiasm, of state-owned enterprises are excessively low is related to our relaxed attitude in recent years toward education work among the workers in political ideology and professional ethics. However, the major symptom for having such an excessively low internal rate of efficiency is that the labor incentive mechanism was seriously distorted. Therefore, to a large extent, whether or not our reforms in state-owned enterprises will be successful depends on an effective solution for the seriously distorted incentive mechanism.

This article is written from the perspective of the incentive mechanism, with the purpose of investigating causes for the lack of sufficient vigor and labor enthusiasm among ordinary laborers of state-owned enterprises and sectors, and thus to come up with a thinking based on analysis supported by theory and facts. This thinking may help enrich our understanding in the operation mechanism of China's state-owned enterprises at the present stage, and help us find a collection of possible effective plans to boost the vitality of state-owned enterprises for overcoming difficulties.

II. Theoretical Analysis on Designs of Incentive Mechanism

For the purpose of simplification, this article is written on the basis of the following definitions and assumptions:

1. In terms of internal organization and structure, the personnel of state-owned enterprises are simply classified as managers and the managed.
2. The managers represent interests of the factories, and of assets owned by the state; and their goal is to maximize the monetary net profits of their enterprises.
3. The managed includes ordinary workers of the enterprises. Their individual goals are to pursue individual monetary income, and to maximize their nonmonetary benefits. Furthermore, to them, leisure time (including having spare time while at work) is a person's marginal benefit, or is a "standard goods" of which the marginal utility is positive. When the incentive mechanism was not distorted, the slope of individual labor supply curve was positive.

Of the above, the second assumption does not completely conform to China's present actual situation regarding the operations of state-owned enterprises. But this article does not take this into consideration because it focuses on analyzing the laboring behavior of ordinary workers, who are the managed.

4. On the basis of the above assumptions, an incentive mechanism without distortion is one which helps the managed satisfy their individual needs, and which makes

the individual goals accord with the objectives of enterprise management. Under the operations of this incentive mechanism, ordinary workers of the enterprises will voluntarily accept their enterprises' management objectives, and spare no efforts in the work. They will contribute their efforts to the largest extent to realize the management objectives, while their individual needs are met and enhanced to the fullest extent.

Theoretically, there are two kinds of resource distribution and labor income distribution, with the purpose of establishing an incentive mechanism free of distortion. To provide references to the analysis of facts in the latter part of this article, the focus of discussions in this section are made on these two types of design. The first one is the practice of payment according to work, or distribution according to work, in a nonmarket way, which is adopted under the condition that the distribution of resources is subject to joint control. The focal point of this distribution mechanism of labor income, which was proposed by Marx and Engels, is to coordinate in the largest extent the personal interests of laborers and the interests of society, under the precondition of fully holding a positive attitude toward the egoist motives of laborers; and to effectively avoid the phenomena of "getting a lift in another's vehicle" or reaping without sowing. The amount of income received by individuals solely depends on their amount of labor contribution. Whoever works more gets more, so anyone who does not work gets no pay. This kind of payment mechanism made the individual cost of being lazy or slow in the work, and losses in terms of labor efficiency, become an internal affair, thereby eliminating the possibility of "getting a lift in another's vehicle"; putting an end to the dampening effect on working hard, which is linked to the practice of "getting a lift in another's vehicle"; and encouraging laborers expecting higher individual income to voluntarily work hard to increase their individual income under the precondition of making more contributions to the production of social wealth. Judging from the incentive mechanism, a basic point embodied by the thinking regarding the design of mechanism of payment according to work is: On the basis that individual income agrees with labor contribution, the gain in personal benefits is the basic motive for economic development in the socialist society, and the issue concerning economic efficiency is the key issue in designing the incentive mechanism. This article calls the above incentive mechanism, which was cited by Marx and Engels, the classical theoretical environment of socialist economy, or the classical environment for short. Obviously, there is still a wide gap between the actual incentive mechanism of China's traditional socialist economic system and that incentive mechanism in the classical environment.

The other one is the distribution of resources, and functional distribution of income, under market competition. The so-called functional distribution of income means that income is distributed according to the degree of contributions made by the factors to the production of products. Under the condition that the process of decisionmaking is decentralized, a competitive market,

marked by a higher rate of efficiency in terms of information, guarantees a conformity between returns brought by the factors and the degree of contributions made by them by allowing a restriction-free incoming, and outgoing, flow of factors, such as labor force, among different enterprises, trades, and areas; thereby safeguarding the interests of socialist public-owned economic sectors in state-owned assets, preventing the wages from being encroached upon, and safeguarding equal job opportunities and income opportunities for individual laborers; and safeguarding the efficiency of labor utilization, and that of human resources distribution.

To certain extent, it is significant to compare the theories of above two.

A common thinking embodied by the above two designs is that in socialist society, to increase the individual benefits on the basis of making individual income accord with labor contributions is the basic driving force for economic development; and that the direct purpose of designing an incentive mechanism is to realize the conformity between returns and contributions to encourage individuals to spare no efforts in their work, and to make contributions to the largest extent. Theoretically speaking, the "conformity between returns and distributions" may be accurately described by using a uniform model. In that model, the rule of income distribution is a mapping from contributions space to returns space. In other words, each element in the contributions space has its corresponding result of income distribution; and the labor supply behavior by individual laborers, as well as their contributions, depend on the rule of income distribution. Under specific rules of income distribution, each unit laborer, who pursues his own benefit, makes his corresponding contributions to the production of social wealth while realizing his goal of gaining individual income. This indicates that returns accord with contributions. Because of limitations on the length of this article, it is not going to illustrate the model in this article.

The major differences between the above two designs are: First, the evaluation of contributions by each laborer in the classical environment is made by a nonmarket mechanism on the basis of joint control and centralized decision-making process; whereas in a competitive market environment, such evaluation of contributions is made by a competitive mechanism on the basis of decentralized decision-making process. Upon comparison, therefore, one may find that the classical environment embodies a set of more rigid assumptions in terms of information mechanism. (Footnote—"Information Basis for Designing and Implementing Income Distribution Mechanism" by Hu Ruyin, TIANJIN SHEHUI KEXUE, No. 4, 1990) These assumptions excluded many actual factors in its consideration; otherwise, the classical environment would require an information space with many more dimensions. Second, in the classical environment, the proportion of labor income to the national income is totally determined by a nonmarket

mechanism at the macro level. At that time, there does not exist at the micro level any decision-making mechanism with actual binding force. In the competitive market mechanism, however, this proportion is first determined by a competition mechanism at the micro level, so direction intervention by the government is no longer necessary in the formation of wages. Third, in the classical environment, to distribute rewards strictly according to work indicates that only voluntary work-hour readjustment, and corresponding income readjustment of individuals exist; and nonvoluntary employment readjustment and dismissal, or nonvoluntary unemployment, do not exist. In the competitive market environment, however, a labor supplier may go in and go out of the market on his own accord; moreover, this is also true for the party who demands labor. The matched position between the labor supplying party and labor demanding party brings about equality in employment opportunities and income opportunities. In addition, the pressure of competition for jobs, and that for positions have formed under the circumstances where a surplus manpower and social unemployment exist. This kind of competition will, on the one hand, force the laborer who assumes the post to work hard in order to avoid being dismissed. Hence, a competition and screening mechanism, as well as a mechanism that continuously promotes the labor productivity, are formed, so the enterprise management departments may find three kinds of behavior among enterprises' ordinary workers—obedience, loyalty, and hard working (Footnote—"Comparison of Personnel Management Between Japanese Enterprises and U.S. Enterprises" by Wuze Xinyi [2976 3419 0207 0001] and A.M. Huatexier, QIUSHI [3061 1395] CHUBANSHE, 1987 Edition, pp 48, 64), which are generally the expectation of enterprise management departments, with lower "cost of organization" (Footnote—On the concept of "cost of organization," see "Nature of Enterprises" by Luonade Kesi [5012 4780 1795 4430 2448], a new series of ECONOMICS, Vol 4, November 1937, pp 386-405), and lower price, thereby improving the efficiency of internal organization, as well as management efficiency, of enterprises; and developing a better enterprise culture. On the other hand, this will coherently develop a mechanism that makes the wages accord with labor contributions; will develop a uniform market rate of wages that reflects the scarcity of labor forces or the extent of surplus manpower; will effectively exert influence on the choice of orientation in the area of technology (be it a neutral technological progress or the one marked by a high intensity of certain factors); and will encourage a reasonable utilization of labor resources.

Simply put, an incentive mechanism without distortion is the one that can make returns tally with contributions. This kind of incentive mechanism may mobilize to the largest extent the labor enthusiasm of enterprise workers, may save to the largest extent the cost of organization, and may improve to the largest extent the efficiency of internal management of enterprises.

III. Function of Hard Working

On the basis of analysis made in the above section, and by summing up our recent extensive investigations and inspections on the labor management in China's state-owned enterprises, this section is going to analyze more specifically, from the viewpoint of practical incentive mechanism, the pattern of labor supply, and general behavior of working hard among the enterprise workers to reveal certain key factors that are related to the labor management environment and structural environment of enterprises; and that determine the actual labor performance of enterprise workers.

It was indicated by our inspections and studies that there were two major factors that affected and determined the actual labor performance of ordinary workers, as well as their degree of hard work:

1. The cost of going slow for an individual. The cost mentioned here primarily referred to monetary cost, but it also included nonmonetary cost. Moreover, monetary cost includes current losses directly sustained in labor income, and potential losses sustained in future labor income (such as a reduction in the possibility of getting a promotion or a pay raise). Furthermore, the meaning of "laziness" is interpreted in the broad sense. Acts of failing to work hard or maximize the use of work potential, open or concealed disobedience of instructions of supervisors, intentions not carrying out in full the orders of departments in charge, and various kinds of negative go-slow manifest, to a certain extent, the laziness. The degree of laziness is a negative process of hard work. The higher the degree of laziness, the smaller the extent of hard work; and the lower the degree of laziness, the larger the extent of hard work. The individual cost of being lazy is closely related to factors such as the rule of income distribution. Assuming that the individual non-monetary cost of being lazy is zero, it is thus not difficult to conclude that: First, the individual monetary cost of being lazy becomes zero when a wages system is totally fixed. Then, "no matter how much one works, and whether or not he has worked, he receives the same amount" in wage earnings. Any drop in actual labor supply, and contributions to work does not bring any loss to the income of individual laborers, so the cost of being lazy is completely externalized, thereby bringing about a strong stimulation for becoming lazy and "getting a ride in another's vehicle." Second, under the conditions that the marginal rate of wages equals to the marginal labor productivity, the monetary cost of being lazy is completely internalized. At that time, under the prerequisite that other conditions are fixed, the stimulation for being lazy is minimized.

Thus we can see that the extent of hard work by ordinary workers has a function of increasing the individual cost of being lazy; and the changes caused by it is in proportion to the losses in individual labor income, and in individual's interests, caused by the act of being lazy.

2. The degree of competition being faced by individual workers in labor market. The form of competition includes actual competition and potential competition. The substance of competition includes employment competition, job competition, acts of entering and leaving the labor market, and so on. The degree of competition is measured by the possibility of job replacement by somebody else when an individual worker does not work hard. If the possibility is great, this means that the competition is keen; otherwise, the competition is low.

When none of the forms of competition exist in the labor market, those who do not work diligently are able to secure their posts without being eliminated or dismissed. At that time, the obstacle to improving the labor performance becomes apparent. But the above situation can be avoided when there is a high pressure of competition, and the competition is keen, in the labor market. A keen market competition forces those who tend to work lazily to work diligently, or they will be eliminated and dismissed. Therefore, a keen competition acts as a means of screening, and eliminates the labor behavior of being lazy, or those who do not work diligently. This thus remarkably boosts the average extent of working hard among workers, as well as both their expected value and actual value of productivity.

Hence, we can see that the extent of hard working by an individual is a function increasing the degree of competition faced by him in the labor market.

Upon summing up the above studies, we may establish a function for hard working, that is:

$E = E(C, D)$ In the formula, C represents the individual cost of being lazy, D represents the degree of competition faced by individual workers in the labor market, and E represents the extent of hard working by laborers. It is assumed that C , D , and E are continuous variables, so $\Delta E / \Delta C$ is greater than zero, and $\Delta E / \Delta D$ is greater than zero. This implies that E is an increasing function of C (sic) and D , and that C is proportional to D .

Theoretical pattern is a certain high-level exposition of reality. It is possible that the exposition covers everything. Provided that, however, it covers the key points, this exposition is still effective. Although one may list some factors affecting the labor performance, and the extent of hard working of workers, the above two factors are the most important ones. A host of our investigations among state-owned enterprises in China have indicated: Any enterprises which hired workers with a high level of hard work were the ones which manifested in a better way, through internal income distribution and internal utilization of labor, the principle of giving awards to the diligent ones while punishing the lazy ones. Otherwise, any enterprises which hired workers not having a high level of hard working were the ones which generally could not effectively implement that principle.

IV. Causes For and Consequences Of Distorted Incentive Mechanism

Under China's traditional system of collective authority, the state-owned economic sectors implemented a unitary system of administrative distribution when distributing labor forces; that is, government institutions made centralized arrangements for labor forces, and an individual laborer usually assumed his employment in an enterprise for a life-long term. At the same time, a uniform system of fixed wages under centralized control was implemented among all state-owned enterprises. Such a dual fixed system was the cause for having a distorted incentive mechanism under the system of collective authority. Under this system, there was no utilization of labor mechanism, income distribution mechanism, or other economic mechanism, that might check the laziness. Losses in labor efficiency caused by having a spare time while at work, or by being lazy, was totally borne by factories and society, so the monetary cost of an individual being lazy was zero. This "iron rice bowl" type employment system, which ran parallel to the system of income distribution, that is, "eating from the big rice pot," further encouraged and protected the act of being lazy, so those who were lazy did not face any serious competition. Under the system of collective authority, though there existed an enormous political pressure, and administrative mandatory measures, the labor performance of ordinary workers was relatively poor, and their labor efficiency was relatively low because information about the extent of hard working of laborers was, to a considerable extent, a personal information to which the supervisors were very difficult to access; and because the costs of supervision was very high, and there were many obstacles to labor management.

Under the present dual system, the administrative distribution mechanism, and the dual fixed system, still occupy a dominant position in labor distribution among state-owned enterprises and sectors. In respect of utilization of labor, the recent system of contracted labor, which was implemented for laborers who took up their first jobs, existed in name only. Contracted laborers had become permanent ones in a disguised way, and they were almost an equivalence of permanent ones. Unless they made serious and remarkable mistakes in their work, those who performed mediocre in their work, showed negative attitude toward work, and were redundant were unlikely dismissed by their factories. Furthermore, enterprises were, on the one hand, overstaffed; and on the other, continued to have their number of laborers coming in annually through transfer, distribution by the state, and other channels greater than the number of leaving laborers, so that the number of workers, and the internal structure, of these enterprises continued to expand in a unhealthy way. In our questionnaire survey among 100 class one and class two state-owned enterprises (in which 39 were class one enterprises) in Shanghai area, their average number of redundant workers was 15 to 20 percent of their total number of workers, with the highest range reaching 40 to 50 percent. This tallied with the results of our 1989

questionnaire survey among 50 large and medium-sized state-run enterprises in Shanghai area; and thus indicated that the above rates of redundant workers represented their scale in state-owned enterprises and sectors. Although the degree of redundancy was very serious, the number of workers coming annually to these enterprises continued to exceed the number of leaving workers, so the proportion of redundant workers was increasing. Having a large number of redundant workers, the management personnel of enterprises were forced to acknowledge in their labor management the "legitimacy" of having a spare time while being at work, and openly acting lazily, so enterprises as a whole were filled with the atmosphere of taking a relaxed attitude toward work, having a seriously insufficient workload, and having a poor labor efficiency. In such environment of labor management, those who had poor labor performance were usually not subject to any punishment, and did not feel any competition from the labor market. Furthermore, in their individual income distribution, the portion of fixed wages remained at a high level in the composition of workers' wages; the proportion of fixed regular allowances, which was usually distributed to each worker at an average rate, to the total amount of wages was increased year by year; various kinds of bonuses which were distributed to almost every worker of the same unit at an average rate, have actually become an extra allowance distributed by every enterprise, thereby bringing about a serious phenomenon of equalitarianism in individual income distribution of enterprises.

In addition, it is worth pointing out that a host of investigations and inspections conducted by us among the state-owned enterprises and sectors have indicated that the system of fixed employment was one of the key factors to the formation of this equalitarian income distribution mechanism: Under the system of fixed employment, in the game of rivalry between supervisors within, and the managed, of the enterprises, the managed were in fact in a favorable monopolizing position. Since there were barriers in the system which hindered supervisors from making workers freely leave the labor market, in the repeated game of labor income distribution, if the management personnel relatively lowered the wages of those who were lazy, such lazy workers, who were not worried about dismissal, might select the tactics of further reducing their level of effective labor supply, so that their factories suffered more losses in efficiency. Furthermore, because of the existence of special structure in the system of income distribution, factories could not reduce the relative wages, and absolute wages, of lazy workers to a really low level, so they could not make up for losses in enterprise efficiency by using losses in such workers' relative income. Hence, in the repeated game of income distribution arranged under the above system, the equalitarian distribution became the "Nashi [4780 0087] equilibrium point" (Footnote—For an introduction to "Nashi equilibrium point," see the article "On Tactics" by Zhang Xin, "Special Topics On Modern Economics," edited by Dai Tangmin, and Mao Yushi, Vol 1, published by the Commercial Press, 1989 edition,

pp 226-255), and became a choice unanimously made by both sides of the game under specific restrictive conditions. Under the situation of egalitarian distribution, rewards and contributions were seriously dislocated, and the individual cost of being lazy was about zero, so there developed an incentive mechanism that gave awards to the lazy ones and to the act of being lazy; that encouraged ordinary workers to lower their extent of hard working, and to reduce their actual amount of labor supply.

In order to effectively stimulate the production enthusiasm of ordinary workers in state-owned enterprises and sectors, we must provide them a more competitive employment mechanism, working mechanism, as well as mechanism for income formation. For this reason, we need to carry out more profound reforms in the control mechanism, management mechanism, labor and wage systems, and other areas of the state-owned enterprises to develop an incentive mechanism free of distortion and realize the consistency between rewards and contributions.

TRANSPORTATION

Prospects for Maritime Industry in 1990's

Communications Minister's Comments

92CE0368A Shanghai CHUANBO GONGCHENG
[SHIP ENGINEERING] in Chinese No 1, 7 Feb 92
pp 4-6

[Article by Chinese Communications Minister Huang Zhendong (7806 6966 2639): "1990's Development and Prospects for Chinese Shipping Industry"]

[Text] Everyone knows that China is an ancient maritime country and the outstanding shipbuilding technology and brilliant nautical achievements of the Chinese people were world famous. Since the founding of the People's Republic of China, and especially since reform and opening up have been implemented, we have analyzed China's water transport situation based on natural conditions and the level of actual productive forces throughout the nation and have confirmed that China's water transport is multi-leveled and multi-channeled and takes on many forms and have formulated a series of water transport development policies such as relaxing and enlivening water transport, introducing competition mechanisms to the transport market, reforming management models, enhancing macroeconomic management of the transport economy, using numerous methods to collect funds for port construction, developing the fleet, and actively using foreign investment and introducing advanced technology to help China's water transport industry to develop greatly and make great strides.

In regard to shipping, implementation of vital water transport policy, support for the development of the transport fleet, relaxation and enlivenment of the water

transport market, and legal competition have begun to take shape. Excellent service, good quality, short duration, and reasonable prices have become the standards by which consignors select carriers. The Chinese mainland presently has more than 408,000 barges, boats, and ships of various types with a net capacity of more than 38 million tons, conducting ocean, coastal and inland river transport. In 1990 they transported 270 million passengers for 16.5 billion passenger kilometers and transported 800 million tons of cargo for 1.16 trillion ton kilometers. There presently are more than 3,100 central and regional shipping companies. The main shipping enterprises are: the China Ocean Shipping Corporation, the Shanghai Sea Transportation Bureau, the Guangzhou Sea Transportation Bureau, the Dalian Steamship Company, the China Changjiang Steamship Corporation, the Zhaoshangju Group Corporation, the Zhongbo Steamship Joint Stock Company, and the Chinese-Tanzanian Joint Sea Transport Company. Of these the China Ocean Shipping Corporation has developed into a major mainstay enterprise of China's ocean transport, laying a solid and substantial foundation for the rapid ascent of China's ocean transport. This company now owns and operates more than 600 ocean transport ships of various types with a capacity of more than 15 million tons, sailing to more than 1,100 ports in more than 150 countries and territories, truly invigorating China's status as a main force in foreign trade and transport in international shipping.

In regard to port loading and unloading facilities, to increase port activity, accelerate port development, and implement reform of port management systems, we are carrying out a management system of "double leadership with emphasis on the regional." Up to the end of 1990, Chinese mainland coastal and inland river ports had more than 4,600 berths, including more than 300 10,000 ton or greater deepwater berths.

The port of Shanghai, China's largest cargo port and passenger port, presently has more than 100 berths and can handle more than 10 million passengers and more than 130 million tons of cargo, and it is first among the Chinese mainland coastal ports in containerized loading and unloading. Qinhuangdao port, China's largest modern coal exporting port, has 24 pier berths, 22 of them 10,000 tons or greater, and can handle more than 69 million tons. Tianjin port, the largest comprehensive port in North China, has a large share of foreign trade import and export cargo. In 1990 it handled as much as 21 million tons. Dalian port, presently China's largest crude oil exporting port, has 55 productive use pier berths and its largest capacity tie-up berth is 100,000 tons. It can handle more than 49 million tons. Nanjing port, China's largest inland river port, has 45 pier berths and handles more than 2.8 million passengers and more than 44 million tons of cargo. Lianyung port, with 20 years of development, has become a new jumping off point bridging the European and the Asian continents. Guangzhou port, South China's largest port, became the gateway to southern China's foreign trade as early as 200

B.C. in the Qin and Han periods, and was the earliest Chinese port to conduct trade with Southeast Asia and West Europe. It presently has 118 pier berths, 22 of them 10,000 tons or greater, and can handle more than 4.3 million passengers and more than 41 million tons of cargo. Ningbo, one of China's earliest trading ports, with its development since reform and opening up, has regained its vigor. Not only does it have China's largest ore transiting pier, but also recently invested in the second stage of the Beilun project for tie-up berths for fourth generation containerized ships.

As regards modes of transport, emphasis has been given to opening up and developing liner transport, special purpose ship transport, containerized transport, and coordinated transport, and developing door to door service. To enhance macroeconomic management and ensure healthy development of the shipping industry, water transport legislation and management based on the law have been strengthened. Maritime laws are presently being formulated in the form of the more than 20 rules and regulations promulgated by the Standing Committee of the National People's Congress and the State Council and the more than 100 rules and regulations promulgated by the Ministry of Communications.

As regards water transport projects and the water transport industry, Chinese mainland domestic and foreign port and channel construction is primarily undertaken by the China Harbor Construction Corporation and four subordinate navigation project bureaus, three subordinate channel bureaus, two subordinate port mechanical system factories, and four navigational engineering survey and design institutes. They have more than 1,000 large specialized modern dredging, piling, and crane vessels and more than 15,000 pieces of large land-based mechanized construction equipment. Shanghai's port machinery factory, presently China's largest mainstay enterprise providing mechanical loading and unloading equipment for port production and construction, mainly produces specialized mechanical equipment, including various types of cranes, machinery for loading and unloading ships, gantries, and hoists.

As regards navigational safety systems, the four principal systems that the Chinese mainland presently has are maritime safety surveillance, ship inspection, rescue and salvage, and communications and navigation. In the maritime safety surveillance system, the Ministry of Communications has a safety surveillance department and fifteen maritime safety surveillance bureaus in the main coastal ports. In the ship inspection system, the People's Republic of China's Ship Inspection Bureau and its fourteen directly subordinate sub-bureaus mainly undertake the inspection of oceangoing ships, maritime installations, ships on the principal domestic coastal and Changjiang and inland river trunk lines, as well as foreign registry ships requiring inspection in Chinese coastal waters. Chinese ship classification societies are listed with international ship classification societies. In the rescue and salvage system, the Ministry of Communications has a maritime rescue and salvage bureau and

an ocean engineering company, and in Shanghai, Guangzhou, and Yantai it has a maritime rescue and salvage bureau, forming a rather complete maritime rescue and salvage system. Its search and rescue capabilities have expanded from inshore to deepwater. In the communications and navigation system, the Ministry of Communications has the China Transportation Communications Center, which is responsible for communications and navigation in the Chinese mainland's transportation system. Early this year they constructed and put into operation a maritime surface satellite station.

In water transport scientific research and education, the Chinese mainland presently has the Ministry of Communications Scientific Research Institute and fourteen research institutes. The main ones related to water transport are the Water Transport Scientific Research Institute, the Science and Technology Information Research Institute, the Standards and Measurements Research Institute, the Computer Applications Research Institute, the Shanghai Maritime Transport Scientific Research Institute, the Tianjin Water Transport Engineering Scientific Research Institute, the Guangzhou Information Technology Research Institute, the Ocean Underwater Engineering Scientific Research Institute, and the Nanjing Water Conservancy Scientific Research Institute. The principal water transport institutions of higher learning include the Dalian Sea Transport Academy, the Shanghai Sea Transport Academy, the Wuhan Water Transport Engineering Academy, the Jimei Nautical Academy, the Nanjing Navigational Engineering Scientific Vocational School, and the Wuhan River Transport Scientific Vocational School.

Although in more than forty years China's shipping industry has made great progress and achieved remarkable results, it is still far behind developed shipping countries of the world. The main problems remaining are: Inadequate handling capacity of coastal ports, especially a lack of specialized berths. Coastal island ports are extremely tight and transportation between the mainland and islands is extremely inconvenient. The backward state of inland river shipping still has not been improved. Channels are obstructed, ports lack pier berths, and loading and unloading efficiency is low. Transport vessels are old and transport capability is insufficient. Navigational support systems also are rather weak. Equipment is obsolete and insufficient and procedures are backward and unable to adapt to the needs of modern shipping development.

Although the above problems remain for the development of the Chinese shipping industry, with the impetus of the vigorous development of the socialist planned commodity economy in reform and opening up, prospects for development of the Chinese shipping industry are quite extensive. Beginning in 1991, China has implemented the Eighth Five-Year Plan for development of the national economy and socialism. During the Eighth Five-Year Plan, Chinese water transport development remains one of the key strategies for development of the national economy. Based on the state's general demands

for communications and transportation, we are prepared, beginning from the the Eighth Five-Year Plan, to use the period of several five-year plans to develop a general guiding policy for the communications industry centered on a comprehensive transportation system with overall planning, integrating regions, and dividing the levels of responsibility, building a main framework of public roads, and main water transport channels with main port and station hubs and the corresponding support system. By main water transport channels we mean a large north south coastal transportation thoroughfare with the Changjiang, Pearl River, Heilongjiang, Grand Canal, and Huai River shipping trunk lines and important branch lines. By main port and station hubs we mean coastal and inland river ports and highway transportation hubs connected with main water transport channels and the main framework of highways. By constructing a main framework of highways, principal water transport channels, and a main hub of ports and stations and a support system, we will form a safe and unimpeded highway and waterway transportation network throughout the country.

The Eighth Five-Year Plan is the period for us to begin to realize the long-range plan described above. During this period, the principal goals and tasks of China's water transport development are:

In coastal port construction to construct approximately 180 berths and add approximately 170 million tons to the handling capacity. Key projects are the hub ports on the main north-south maritime transport thoroughfare and essential completion of the major coal, containerized, and land to island roll on roll off systems and enhancement of the main north-south maritime thoroughfare.

As regards inland river development, we will improve 4,000 kilometers of channel, construct more than 60 new berths, and add approximately 35 million tons to the handling capacity. The key projects are the basic installation of the main water transport thoroughfares on the trunk line from Wuhan down on the Changjiang, the Xijiang trunk line, the Grand Canal, and the Heilongjiang and renovating the Hanjiang, Xiangjiang, and Xinjiang inland river channels and related ports.

As regards development of water transport equipment, we will build more than 10 million tons of new municipality and regional transport shipping, with more than 100,000 additional passenger spaces and more than 300,000 additional kilowatts, and build more than 1,200 additional auxiliary ships for engineering ports, emphasizing development of passenger ships, energy transport ships, and special-use support system ships. We must accelerate ship replacement, increase transport capability, improve the technology structure, and develop a comprehensive communications and transport capability to meet the needs of waterway passenger and cargo transport development.

As regards safety support systems, the problem with impediments to communications has been essentially solved and we can undertake global maritime distress and safety communications, making China's maritime communications near advanced world standards. Relatively complete maritime safety surveillance systems and different levels of traffic management systems should be completed in important coastal water areas and port hubs as well as at the mouths of the Changjiang and Pearl rivers. We should establish a chain of coastal lighthouses and should give especially serious attention to maritime fire protection, lifesaving, and pollution prevention installations. We should move traffic education and scientific research to the forefront of development and stress the development of basic nautical education and scientific research facilities as well as information systems equipped with relatively advanced teaching, experimental, and scientific research equipment so that China's nautical technical and professional education and water transport engineering and ship's equipment research can strive to reach advanced world levels.

The main purpose of Chinese shipping industry development is to serve the development of the Chinese socialist economy and foreign trade. Because conducting international transport naturally requires increasingly extensive contacts and cooperation with trading and shipping circles in various countries, we cannot avoid at the same time being directly affected by the international economic and shipping situation. The world shipping industry was continuously depressed for a rather long period of time in the past and all shipping countries and shipping departments were variously affected and underwent serious trials. Although in the last two or three years the situation has rebounded, they still are faced with extremely complicated circumstances. We have long advocated that countries develop bilateral and multilateral shipping cooperation based on equality and mutual benefit and being in the same boat. We welcome exchanges of technology and experiences for joint improvement and to learn from one another and we hope that all countries and territories can attain the corresponding development of their shipping industry.

Looking to the future, the burden is heavy and the road is long. We will steadfastly implement the policy of reform and opening up and strengthen exchanges and cooperation with all countries to wholeheartedly strive to make new contributions to the development of the Chinese shipping industry and the world shipping industry!

Shipbuilding Industry Outlook

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[SHIP ENGINEERING] in Chinese No 1, 7 Feb 92
pp 7-8, 6

[Article by Chinese State Shipbuilding Corporation President Zhang Shou (1728 1108): "Developmental Policy and Prospects for the Chinese Shipbuilding Industry in the 1990's"]

[Text] In the 1990's the Chinese shipbuilding industry will be entering a new period of development. Prospects now appear rather clear.

We should first point out that after several years of effort, especially in more than ten years of reform and opening up, the Chinese shipbuilding industry has made rapid progress and has established a rather good base for new development in the 1990s. As regards the scale of production, we presently have the capability to produce 3 million tons of ships annually, 1.5 million tons of this by the China Shipbuilding Corporation system. Production of most ship main propulsion and other important associated equipment can also be domestically based. As regards the market, we are striving to move up to the international market while continuing to provide various types of ships for the domestic economy, and we have already won a place in the international ship market. In the last ten years, the China Shipbuilding Corporation system has contracted for a total of 3 million tons of ships for export and has completed 2.4 million tons. Export ship customers have expanded from the original Hong Kong to thirty countries and territories. As regards the technological level, by arduous investigation and importation, and digestion and absorption of advanced foreign technology, China's shipbuilding industry has reduced the disparity with advanced international standards. Up to now, we have successfully built such advanced ships as multiple use ships, large refrigerated containerized ships, large shuttle tankers, truck roll-on roll-off ships, and refined oil tankers to modern international standards. Ships designed by China at advanced standards have entered the international market and a 35,000 ton shallow draft economic bulk cargo ship developed for domestic coastal energy transport received a major national scientific and technological achievement award. In general, the Chinese shipbuilding industry is entering the 1990's on the threshold of new development. In addition, we should look at the growth of the demand in the foreign and domestic ship market which provides the Chinese shipbuilding industry with a rare opportunity for development. Regarding the domestic market, the state has made energy transport a key to national economic development for the 1990's and the development of water transport and shipbuilding are also important links in the development of energy transport. According to estimates by the people concerned, with the development of China's inland river, coastal, and ocean shipping industry and well as inshore oil exploitation, in the next ten years, the domestic demand for coastal energy transport ships, oceangoing ships, passenger ships, engineering ships, and ocean oil exploitation facilities will increase considerably over the previous ten years. As regards the international market, after undergoing up to a ten year slump, the ship market has gradually turned around and the relationship between supply and demand is gradually improving. The impetus has picked up rather abruptly, especially in the last two years. In the meantime, although on occasion fluctuations caused by the gulf crisis and war have occurred, the affects have

after all been of short duration and limited. Based on an analysis of all aspects, in the next ten years the world economy and trade will maintain appropriate growth and the volume of maritime transport will tend to increase. Most of the ships in the world's merchant fleets will gradually be replaced and a great number of new ships will be required. Some shipowners will use refitting and major overhauls to extend the useful life of their ships, also making the ship repair market even more lively. The 1990's will be a rather prosperous period in the international ship market. These things will all be extremely helpful to the further development of the Chinese shipbuilding industry.

This is the second year of the 1990's. Last year and this year, we have adopted a series of measures, based on the changing market situation and the actual situation of the Chinese shipbuilding industry, aimed at accelerating ship production and keyed to shortening shipbuilding time and enhancing management to achieve positive results. In 1991 the production time for major ships and the rate of delivery of major equipment contracted for production by the China Shipbuilding Corporation was shortened to a rather great extent and the gratifying situation of many ships being delivered before the contracted time occurred. It is estimated that this year annual shipbuilding will reach more than 800,000 tons and could reach the highest level in history. This year the number of ships contracted for export by the China Shipbuilding Corporation's will clearly be higher than in former years and, at the same time, they also will be contracting for a batch of domestic shipbuilding tasks. From the above situation it can be seen that the Chinese shipbuilding industry has made a good start for realizing 1990's development.

Looking back on the accomplishments achieved by the Chinese shipbuilding industry undoubtedly there is no lack of encouragement, but the objective situation also makes us aware from time to time that if we are actually to accomplish vigorous development of the Chinese shipbuilding industry, we must still continue to strive. There is now a rather large disparity in such aspects as technology and management with the advanced shipbuilding nations. Internationally our share of the number of ships built and exported is still very small. Although the changes in the domestic and foreign market provide us with the opportunity for development, if we want to grasp that opportunity, we must rely on our own arduous efforts.

We believe that the development of the Chinese shipbuilding industry in the next ten years can be divided into two stages.

The first stage is 1991-1995, the period of the Eighth Five-Year Plan. This stage is mainly for laying the foundation and raising standards. The principal indicators will be: In 1995 the total value of output for the China Shipbuilding Corporation system will reach 10 billion yuan and the annual shipbuilding production will

reach 1.4 million tons with exports making up half of that and the year's actual exports will reach US\$500 million.

The second stage is 1996-2000, the period of the Ninth Five-Year Plan. In this stage the Chinese shipbuilding industry will prosper and strive for even greater progress. The principal goals will be: Further growth in the shipbuilding and repair capability and shipbuilding and repair volume based on the Eighth Five-Year Plan. Major raw materials and parts and equipment will be essentially domestically based, and research and design standards will be considerably improved, and shipbuilding quality will attain advanced international standards and construction times and slipway usage rates will approach international advanced standards.

We believe that the developmental goals for the 1990's are positive as well as reliable. In the next ten years, we will center our efforts around accomplishing these goals. We will continue to intensify system reform and expand the opening to the outside. Everyone is certainly aware that for a period of time the state has proposed a series of guiding policies and policy measures for future further intensification of reform of the economic system, especially intensifying enterprise reform and further invigorating state-run large- and medium-sized enterprises. We will conscientiously implement the relevant spirit and, through further intensified reform, promote the development of the shipbuilding industry. While persisting in intensified reform, we also will continue to promote the opening to the outside that already has been successfully carried on for 13 years. We have repeatedly stressed that the remarkable progress that the Chinese shipbuilding industry has been able to accomplish in the past more than ten years is inseparable from our steadfast implementation of the policy of opening to the outside. So, in the new period of development, this policy must be even better implemented. We believe that, compared with the last ten years, the omnidirectional characteristic of the opening to the outside should be even more prominent in the 1990s. So, we will be "domestically based and world oriented" and while continuing to expand import and export trade, we will strive to increase exchanges and cooperation with all countries in such areas as science and technology and management and actively introduce advanced technology and equipment and develop external cooperation and contacts in labor and funds. We expect to continue to receive the support of our friends from every country in these respects.

We will appropriately expand the shipbuilding and repair capability and increase the shipbuilding and repair output. Presently in both production capacity and actual output the Chinese shipbuilding industry's situation is far short of the needs of the domestic and foreign market. So, on the one hand we will strive to tap the potential of present facilities and equipment and adopt various measures to vigorously reduce the time for ship's construction and repair and improve the utilization rate of slipways and docks. On the other hand, we will concentrate our financial resources as much as possible and, based on assuring the completion and

putting into production of the Dalian 200,000 ton dock on time, rebuild, expand, and accelerate the renovation and updating of manufacturing technology and equipment in key enterprises and achieve coordinated development of total assembly and outfitting so that the capability for construction and repair of large ships and the volume of construction and repair will achieve a definite improvement.

We will continue to implement the policy of relying on scientific and technological progress to develop the shipbuilding industry and adopt more effective measures to truly shift to relying on scientific and technological progress and improvement in the quality of the staff for development of the shipbuilding industry. We will further intensify reform of the science and technology system, increase the input of scientific and technical expenditures, enhance basic research and applied research, especially increasing research and application of new high technology, improve the integration of scientific research with production, improve the exploitation of talent, improve staff education and training, accelerate the pace of enterprise technical innovation and technical transformation, strive to pursue the development of advanced international technology, and make every effort to further reduce China's disparity with the advanced shipbuilding countries in all areas of technology.

We will strive to improve shipbuilding industry management standards. In recent years, we have resolutely striven to practice modern management and to study and learn from advanced foreign management experiences and the level of management has improved to a certain degree. Results are rather noteworthy, especially in improvement in the quality of major products. But generally speaking, whether in macroeconomic management of the entire shipbuilding industry or in micromanagement within enterprises, there still is much to be done. In the next ten years, on the macro level, we will further rectify and reform the management system in accordance with relevant state policy to perfect and adjust the mechanism to promote continued improvement in the industrial structure. On the microeconomic level, we will begin improving the administrative organization, adjust internal benefit relations, and expand on and utilize various modern management means and management methods to encourage gradual improvement in enterprise management standards. In conducting the above efforts, we will continue to study and learn from the successful experiences of advanced shipbuilding countries and we hope for this reason to further expand exchanges and cooperation between like professions with several countries.

China is a developing country and China's shipbuilding industry is right now in a new stage of development. We deeply believe that in the last ten years of this century, that if we only make unremitting efforts and are steadfast in every aspect of our work, the Chinese shipbuilding industry will certainly be able to achieve its developmental goals and will enter the 21st century in a brand new situation. At the same time, we also believe that with the further development of the Chinese shipbuilding industry, it also will certainly make even more contributions to the prosperity of future world shipping and shipbuilding.

Commentary Stresses Curbing 'Dereliction of Duty'

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['Commentary' by XINHUA reporter Chen Yan (7115 7159): "Crime Committed Through Dereliction of Duty Should Be Restrained by Law"—XINHUA headline]

[Text] Beijing, 26 April (XINHUA)—For quite some time, a number of people have frequently dismissed serious dereliction of duty or crimes committed through malfeasance as "a slip at work" or "paying a little tuition [jiao dian xue fei 0074 7820 1331 6316] for the lack of experience." These people fail to see that serious dereliction of duty can cause stupendous losses in life and property to the state and the people. In a sense, damage from dereliction of duty can be more severe than that brought about by corruption and bribery.

Procurator General Liu Fuzhi of the Supreme People's Procuratorate recently has repeatedly exhorted that all levels of the people's procuratorate should earnestly investigate and handle malfeasance cases and crimes committed as a result of dereliction of duty in an effort to promote and facilitate national economic development. A central leading comrade also has pointed out that aside from investigating and handling malfeasance cases and crimes of dereliction of duty, it is also essential to educate the massive number of cadres about the importance of conducting their duties diligently and honestly. In so doing, the notion of serving the people conscientiously and wholeheartedly can be firmly imparted in the minds of leading cadres at all levels, thereby eradicating corruption and bureaucracy once and for all.

Damage and consequences from dereliction of duty are grave. According to the Supreme People's Procuratorate, procuratorates across the nation filed and handled a total of 3,189 malfeasance cases last year. These cases caused the state 830 million yuan in direct economic losses. Although only amounting to 7 percent of last year's corruption and bribery cases, these cases caused 66 percent more damage than from the corruption and bribery cases. Of the 3,189 malfeasance cases, 304 led to direct economic losses of more than 500,000 yuan each, with one case causing as much as 100 million yuan. In another incident, 148 people were killed as a result.

If this is called "paying tuition," then the "tuition" is far too expensive.

According to procuratorates, there are quite a few people who intercede for those committing serious cases of dereliction of duty. They either defend the delinquents on the grounds that they meant well or exonerate them in the name of protecting cadres. Some units erect artificial obstacles to obstruct the investigation and handling of such cases, while other departments punish with mere party or administrative discipline those delinquents whose dereliction of duty has constituted a crime. In

addition, some localities not only overlook the offenses committed by such delinquents but also promote those people to higher positions or ranks.

To a certain extent, the aforementioned practices amount to tolerance of serious dereliction of duty, leading to a persistent rise of such cases in recent years, with many causing serious consequences. Crimes committed through dereliction of duty not only take a toll of the people in life and property but also affect the state's economic construction, reform, and opening up to the outside world.

While raising their awareness of the harmful effects of serious dereliction of duty, the public and all levels of leading cadres should actively support and cooperate with procuratorates in the investigation and handling of such cases and conscientiously wage a war against those cases.

Hong Kong Columnist Views Feudalism 'Scourge'

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MORNING POST in English 20 May 92 p 21

["China" column by Willy Wo-lap Lam]

[Text] In a recent talk to a group of intellectuals in Beijing, National People's Congress chairman Wan Li said China's most serious scourge was feudalism.

Mr Wan, who is arguably the most liberal politician of his generation, indicated that unless the bane could be eradicated, reform and other forms of modernisation would be illusory.

At a time when the best and the brightest of China's scientists and scholars are probing the 21st century, it is instructive to note that the Chinese mentality is still hobbled by dynastic norms.

And feudalism—far more than the "leftism" that patriarch Deng Xiaoping has fingered—will wreak havoc on China well into the next century. After all, when Mr Deng said in Shenzhen last January that the biggest threat was "leftism", the senior leader was merely referring to "opposition to market reforms", "refusing to open up the country to foreign capital" and other kinds of "ossified thinking".

And it is quite possible most traits of the leftism decried by Mr Deng might die a natural death in the coming decade. Since the failed Soviet coup last August, the Chinese Communist Party (CCP) has arrived at a near-consensus that to stay in power, it must first develop the economy—and this means the party has to condone a "mixed economy".

Moreover, so many offspring of the senior cadres have become big bosses of either joint ventures or "Western-style" companies along the coast that even diehard elders are toning down their opposition to the open door.

Feudalism, however, has deeper roots. It has permeated more than 5,000 years of Chinese history, and shades are buried in the subconscious of even those Chinese who have advanced degrees from Western universities.

Feudalism, also called "Middle Kingdom thinking" or the "mentality of the small-time peasant", manifests itself most distinctively in the relationship between the state and the individual. Just as in Communist China, a citizen is the property, the lowliest subordinate of the ruler. In spite of the claptrap about "liberation"—and the half-hearted attempts by the CCP to enact "civil liberty" laws in the early 1980's—a typical Chinese remains in many ways a serf of the system.

After a high-school or college graduate has been assigned a job by the authorities, his state-owned danwei, or unit, becomes the arbiter of his fate. The party secretary or similar commissar maintains a dossier on his performance, including his political inclinations. Approval of the danwei is needed if he wants to get married, to have children, to get a job transfer or to go abroad for whatever purposes.

This slave-like bondage is most evidenced by the fact that a citizen has no freedom of movement within the country. The authorities assign residency permits to their charges in cities as well as villages, without which they cannot get housing, jobs or schooling.

Like the serfs before him, a Chinese farmer is born to a life on the soil. He cannot migrate to the cities even if he has the professional skills to survive in urban areas.

Despite Mr Deng's apparent commitment to market forces, the CCP has not instituted that most basic of economic reform: making the individual, the primary participant of the economy, an autonomous agent who can freely respond to the signals of the marketplace.

The feudalistic mentality of the CCP has particularly conditioned the way it treats its prisoners of conscience. Much has been written about the fact that, in the view of the fumuguan, or "parent-like officials", an individual who expresses a dissenting view is deemed either the black sheep of the family or a traitor.

More puzzling is Beijing's apparent unwillingness to let rebel intellectuals go overseas. Beijing stands to reap a bonanza of international goodwill if it is seen as "magnanimous" enough to grant exit permits to dissidents.

More important, the party's own think-tanks have concluded that the radicals, once they have settled abroad, quickly lose their effectiveness as agents for "destabilising" the regime. However, the authorities waited until

last week to give "troublemakers" including writer-philosopher Wang Ruowang and scientist Wan Yuankai theoretical approval to leave China.

It has still not given exit authorisations to Shanghai journalist Zhang Weiguo, labour leader Han Dongfang and Hou Xiaotian, the wife of "black hand" dissident Wang Juntao. In the eyes of the Dragon, individuals such as Wang, Zhang and Han are mutinous slaves who must be maimed and mutilated before they are allowed to leave the Kingdom and "serve a new master".

This proprietary mentality also underlies the CCP's relationship with its non-human assets, specially business units. That is why, just as it is with individuals, the party has found it so difficult to give state enterprises their autonomy. This feudalistic approach to business has been handed down to the "fourth" and "fifth" generation of leaders.

A key point of a position paper written late last year by a group of the "princelings", including vice-president of the People's Bank of China Chen Yuan, is that the party must consolidate its hold over enterprises even as the latter are converted into more market-oriented entities. However, Mr Chen has failed to address the inherent contradiction: how can the mere adjuncts of the party become effective players in the marketplace?

The most ironic thing about Chinese Communists as feudalists is that for accomplished scholars of Communism, Marxism is about the liberation of the human spirit.

As philosopher Wang Ruoshui, another dissident who has recently been given the theoretical approval to leave China, put it: the goal of Marxism is the realisation of the highest degree of freedom for the individual. Poisoned by centuries of adulterated Confucianism, however, not a single CCP politician has read Marx the right way.

To cure the ingrained "leftism" in the party, Mr Deng has prescribed the no-holds-barred introduction of "capitalistic" economic levers. However, mere "Western-style" business practices and technology cannot rid the country of its even more deep-seated feudalism.

From the mid-1980's onwards, Mr Wang Ruowang has proposed "taking remedial lessons in capitalism". Mr Wang, who wants Beijing to let him spend a year at Columbia University, indicated he meant capitalistic culture and political institutions, not just economics.

As the veteran of Communist-Chinese jails pointed out, while capitalism had glaring flaws, it represented a leap forward from pitch-dark feudalism.

EAST REGION

QIUSHI on Rural Education Needs in Shandong*HK0205083092 Beijing QIUSHI in Chinese No 3, 1
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[Article by Lu Keying (0712 0668 5391): "Development Trend and Reform of Education in Rural Areas"]

[Text] The "Decision on Further Strengthening Agriculture and Rural Work" made at the Eighth Central Committee of the 13th CPC Central Committee regards "the reform and development of rural education, and the heightening of the cultural, scientific, and technological qualities of the peasants" as an important component part for ensuring the implementation of the development strategy of promoting agriculture by science and technology and education. In trying to open up a new situation of agriculture and rural work, we should attach great importance to the development and reform of rural education.

To adapt to the need of economic and social development in the rural areas, the rural educational undertaking of Shandong Province in the last 10 years and longer restructured its management system, relied on the people in running education, readjusted the strategy and structure of education, upheld overall planning of the "three-educations" (basic education, vocational skill education, and adult education) and the combination of agriculture and science with education, and built up on a preliminary basis the rural educational framework of running schools by levels, division of labor in management, setting up schools in a rational way, and running schools primarily on the basis of local conditions. Education had marked progress in mainly serving local economic construction.

The nineties are an important period with a vital bearing on the success or failure of socialism in China, and on the future and destiny of the Chinese nation in the coming century, and is a crucial period for realizing the strategic goal of redoubling China's gross national product, and for the people's living standard reaching a comfortable level, and is also a decisive period to lay the foundation for economic and social development in the 21st century. By the end of this century, Shandong Province should strive to have built up basically highly efficient and comprehensive agriculture, and a relatively developed rural commodity economy, so that the living standard of the people would reach a comfortable level, and rural public welfare undertakings, social services and social security undertakings would make adequate development. Specific goals are: heightening agricultural comprehensive production capacity by a big margin; basic realization of mechanization and semi-mechanization of major production links; the rate of popularization and application of new agricultural technology and results reaching over 50 percent; total output value of township and town enterprises accounting for 69.6 percent of total rural social output value, with the number of employees accounting for 35 percent of the

rural labor force, and attaching importance to strengthening competitive power; vigorous development of tertiary industries based around small country fairs, with an output value accounting for 17.6 percent of total rural output value, and the number of employees accounting for about 30 percent of rural population; marked improvement in population qualities and sanitation and health care and other social undertakings; popularization of nine-year compulsory education; increasing the population reaching junior middle school graduation level and above to 65 percent of the total laborer population; improvement in the prevention and treatment of diseases, medical care conditions, cultural and athletic facilities, and in social security; both the GNP and peasants per-capita net income to be doubled; clothing, food, housing, supply of daily necessities, and transportation of the peasants to be markedly improved both in quantity and quality, and the peasants to enjoy primary hygiene and health care.

The formulation and implementation of the magnificent blueprint to build new socialist rural areas in Shandong Province predicts that structural and functional change will take place in the coming decade in the rural areas in Shandong Province, i.e., traditional agriculture will be further transformed into modernized agriculture in the mode of production; conventional production will further grow toward development in the realm of production; economic status will be further transformed from self-sufficient and semi-sufficient to planned commodity economy; economic structure will be further transformed from singular to diverse economic undertakings; the living standard of the peasants will be transformed from "the level of adequate food and clothing" to "the level of a comfortable life." These transformations will inevitably put forward correspondingly new requirements in the training of various levels and categories of talented persons and laborers in the rural areas in Shandong Province. However, education in Shandong Province is facing some outstanding overall problems. First, the economy has a gigantic demand for education, but the degree of support provided for education is rather limited, and we have always been troubled by a serious shortage of educational funds. Second, the extensive and profound changes in the economic and social spheres require education to break through the traditional mode of running schools, and develop toward multi-functional and socialized orientation, but either in depth or in range educational reform is lagging behind the reforms in the economic sphere, and educational ideas, contents, and methods cannot adapt to the need of training a new type of personnel. Third, such a general trend of overall reform in the rural areas—enormous development of agriculture, application of science and high technology, and reliance on higher education—requires building up a correspondingly new mechanism of close combination of agriculture, science with education, and of mutually promoting each other. But as far as the rural areas in the whole province are concerned, the problem that education and economic construction are two totally separate aspects has not been fundamentally

overcome, and the operational mechanism that they are organically linked together and combined with each other between education and economic construction has not been built up.

We believe the major points for rural educational work in Shandong Province at present and for a period of time in the future should be:

(1) To adapt to the need for raising the basic quality of the laborers, vigorously step up education on the quality of the entire population with the popularization of nine-year compulsory education as the key link. Nine-year compulsory education is the foundation and is also the basic education that all citizens should receive to prepare themselves for various trades and professions. In the eighties, we seriously grasped the "capital construction" of rural education, straightened out the educational management system and the government at various levels. The broad masses of the peasants regarded running schools as their own responsibilities, raised 2.5 billion yuan of funds, and solved the problem of material conditions required by running schools. This made it possible for us to shift gradually our major energy to improving the performance of running schools focussing on quality education. Apart from expanding the scale of running schools, strengthening the quality of teachers, and increasing input, major efforts should be made to train the contingent of teachers and educational administrative cadres. Moreover, it is necessary to renew teaching materials, improve legislation on education, urge the CPC and the government at various levels to fulfill their responsibilities according to law, and advance to a new stage the education on the quality of the entire nation with the implementation of nine-year compulsory education as the key link.

(2) To adapt to the need for the development of highly efficient and comprehensive agriculture, vigorously heighten cultural, scientific, and technological qualities of the broad masses of the peasants. Shandong Province has a large rural population, and an intensive labor force, but its cultural, scientific, and technological quality is low, and it lags quite far behind the requirement of large numbers of new type peasants needed for the development of a modern rural economy. According to an investigation, of the labor force now in rural areas in the province, that which is below primary school educational level accounts for over 55 percent. These people are rather low in the ability to absorb and apply agricultural science and technology, and have become a major factor impeding the building of new socialist rural areas. It is an important task for rural education to train these people, to enable them to have various kinds of know-how and skills required for engaging in highly efficient and comprehensive agriculture, and to realize the change from "labor force type" and "rude and crude type" to "intellectual type" and "skilled type."

(3) To adapt to the need for the development of township and town enterprises, vigorously train personnel for them, and to heighten the quality of existing employees. It is necessary to bring into play the superiority of personnel,

intellectual resources, and scientific research of the institutions of higher learning, secondary specialized schools, and vocational schools; transfer scientific and technological results to township and town enterprises; set up specialized institutions complementary to them; take the initiative to unite with economic departments and enterprises; foster and train in concerted efforts directors (managers), and various kinds of specialized technological personnel and workers for enterprises; and promote the heightening of the level of enterprise management and production technology.

(4) To adapt to the need for the development of tertiary industries, vigorously train personnel in medical and health care, cultural and athletic undertakings, credit, finance, accounting and other trades for townships and villages, and make efforts to enhance the quality of existing employees. It is necessary to uphold and improve pre-assignment and post-assignment training systems, and try one's best to enable the employees to have a rather high vocational level and good professional ethics.

(5) To adapt to the need for the construction of a basic-level political regime in the rural areas, vigorously train basic-level reserve cadres, and raise the quality of basic-level cadres at post. Cadres of rural basic-level organizations, especially those at township, town, and village levels, undertake heavy responsibility in leading the masses of the peasants to follow the socialist road, and conduct socialist construction. Their quality has a direct bearing on the implementation of the line, principle, and policies of the CPC, and on building material civilization and spiritual civilization in the rural areas. At present, of the over 370,000 cadres of villagers' committees in the whole province, only over 80,000 of them are above the level of senior middle school education, over 180,000 are of the junior middle school educational level, and there are still more than 100,000 below the level of junior middle school education. Of these cadres, there is only a small number that has a perfect mastery of one or two agricultural skills, or has received training in that line. Rural education should include the nurturing and training of rural basic-level cadres into its goals, and in heightening their ideological level, it is also necessary to raise their scientific, cultural, and technological quality and strive to enable the number one man among village level cadres to reach specialized secondary school level, and to enable other cadres to reach not lower than junior middle school educational level. They should be trained to master one or two or even more primary skills, and their policy-making abilities should be raised.

The arduous task put forward for education by the construction of new socialist rural areas requires that education must proceed from realistic possibilities, carry out reform in depth, and gradually build up an operational mechanism in which education takes the initiative of adapting to the economic and social development.

(1) According to the diversified demand for the quality of personnel needed for the construction of new socialist rural areas, various kinds of education should carry out

reform in educational ideas, teaching contents, and teaching methods, to make them more closely integrated with realistic development. Basic education should change all the more from education to cope with examination to education on quality, change from competition for promotion to competition to raise the level of running schools, truly putting moral education in the first place in school work, so as to ensure an all-round development of the students morally, intellectually, and physically, and in aesthetics and labor.

(2) Advance the integration of agriculture, science, and education to make education better serve rural economic construction. The counties and cities in the province which do rather good jobs in advancing the integration of agriculture, science, and education—with advancing the development of the rural commodity economy as the goal, with the popularization of advanced science and technology as the motive force, and with doing good jobs in personnel education and training and heightening the cultural and technological quality of the peasants as the means—combined economic development, popularization of science and technology with personnel training, made comprehensive use of the human, material, and financial resources of agricultural, scientific and technological, and education departments, thereby built up powerful joint forces, and promoted enormous improvement in the overall and departmental performance. Such a new pattern of overall rural reform accelerates education to enter the social system consciously and orderly on the basis of carrying out “three-education unified planning” within education itself; helps to arrange in a unified way various levels and categories of education on the basis of the requirements for developing large-scale agriculture and making use of high technology; to participate in the integration of agriculture, science, and education according to the law and characteristics of education itself; to heighten in large areas the abilities of labor force to absorb and make use of science and technology by building up a sound and improved system of personnel education and training, to enable education to better participate in social reform and become the foundation and carrier for promoting the growth of production, and speed up the transfers and materialization of scientific and technological results in their popularization, further strengthen the adaptability of education to the society, thus winning more extensive social support, and also injecting new life and vitality to the development of education itself.

(3) Deepen the reform of the system of running schools, and explore a multiple-channel, multi-echelon, and varied forms system of running schools with the state as the key link and various aspects of the society taking part. According to the Decision on the Reform of the Educational System made by the CPC Central Committee in 1985, Shandong Province carried out reform of the management system of ordinary education, vocational skill education, and adult education, carried out the system of running schools by different levels, division of labor in management, and local responsibilities. This reform was basically a vertical reform from top to

bottom, readjusting the mutual relations between higher and lower levels of governments, and between the government and schools, and mobilizing the initiative of the government at various levels. Now it is necessary to further readjust the horizontal relations between schools and various aspects of the society, mobilize the initiative of running schools of the entire society, and build up a system of running schools by the state, social organizations, enterprises and trades, individual citizens, and even by foreign investments under unified planning by the government, with various aspects of the society taking part, and coordinated guidance by the education department. Specific forms are varied. They can be schools run by social organizations, enterprises, and trades, with education departments taking part in management; they can be schools run by education departments, subordinate to vocational departments according to their specialized characteristics; they can be schools jointly run by township and town governments, villagers' committees, scientific and technological service systems, and economic complexes. Through legislation, the position, role, responsibilities, rights, and mutual relations are clearly stipulated in the course of running schools by the government, the society, and schools, and thus the running of schools and administration of education according to law is accomplished. If this job is done well, “running schools by the society” and “running schools by the entire nation” will have a reliable legal guarantee, and short-term behavior will become long-term behavior, thereby developing to the maximum the educational resources within the scope of the whole society, greatly opening wide the ways for running schools and the source of funds, gradually building up a new system of engaging in education by the concerted efforts of the state and the society, and getting rid of the difficult situation in education.

(4) Deepen reform of the teaching system, and explore an integrated system which combines teaching, production, scientific research, and service. Schools in quite a number of localities in Shandong Province set up specialized subjects according to local industrial structure; build multi-functional bases for experiments and practices; combine classroom teaching, scientific experiments and field work with social practices, to enable the students to master several kinds of skills to make money; and enhance their abilities to adapt to the society after graduation. Moreover, the province also takes advantage of its superiority in the concentration of talented persons, intensiveness of information, and completeness in facilities to act as scientific and technological demonstrations to the society, provide services in technology, information, and management, and build up a new system of promoting projects by specialties, promoting bases by projects, and promoting teaching by bases—a system in which education and production are combined, and schools and enterprises are integrated. In this new system, vocational skill education and adult education rest on local rural education, which is to train a generation of new type of laborers needed for the construction of new socialist rural areas who have a certain

basic knowledge, can master one or two specialized practical skills, and are competent in management. It thus shows that this kind of school is different from ordinary secondary and primary schools and should readjust well the relations of various links in the course of teaching according to its own characteristics, and gradually accomplish the integration of classroom teaching, production labor, scientific and technological popularization, and management with social service. Ordinary secondary and primary schools should also attach importance to factors of vocational education in teaching reform.

(5) Deepen reform of the enrollment and personnel system, and explore the mechanism in which education and production are closely integrated. To develop rural vocational skill education, the first thing is to solve the problem of "admitting students and keeping them there." In this sense, reforming the enrollment system is the breakthrough for the development of vocational education. For a long period of time, we have been used to enrolling students by the following method: No matter what nature the schools are, we adhere to unified application, unified examination, and unified admission. Priority is given to ordinary specialized secondary schools and ordinary senior middle schools for admission, and the remaining students are admitted from top to low grades. Such a method has serious drawbacks. Those who cherish no love for vocational skill education and who do not want to be enrolled in vocational senior middle schools have been admitted, resulting in them not staying long. And some other students who are willing and are required to learn a professional skill and who are bent on serving the construction of new rural areas are excluded from schools because their entrance examination grades are slightly lower. Those who want to learn are not admitted. Such a selection method of students purely by grades should be gradually reformed. Some of the students can be admitted according to geographic region. For some, the method of recommendation plus examination may be used, and others can be admitted solely by recommendation. In connection with this, the personnel system should be reformed. And the reform of the above school operating system, teaching system, and enrollment system are designed to explore new mechanisms in which education takes the initiative in adapting to economic and social development. It is up to education to readjust relations with its service objects, but if there is only readjustment in education, without the external readjustment to coordinate with it, then there will often be contradictions of strength, and the expected results of reform cannot be reached. Only when the two coordinate with each other in action can they meet in the same direction and build up joint forces. There are two major points for complementary reform outside education. First, work out various technological standards for professional posts, and combine to the maximum degree the standards of education with those of employment. These standards for professional posts may help to urge employees of various trades and

professions to take the initiative to "reach the standards," thus attaining the goal of raising the quality of laborers, and providing specific standards of nurturing and training for education departments to conduct educational activities with more clear-cut aims. Second, strictly carry out the personnel system of "training first, getting the position afterwards," truly realizing that positions are offered to certificate holders. In the rural areas, gradually introduce the "green certificate" system, and practice the "dual-certificate" system of a "graduation certificate" and a "certificate of quality for practical technological training."

(6) The development of the commodity economy and industrial restructuring in the rural areas put forward more and more pressing and ever higher demands for human resources and science and technology. And institutions of higher learning of course look upon the rural areas as a vast world "to be geared to" and "to render service to." Universities are therefore required to make corresponding reform to open up channels for the flow of personnel to the rural areas. Directional enrollments should be increased to admit outstanding senior middle school graduates who have taken part in practice through labor for a period of time and loved the rural areas, and who will return to the rural areas after graduation; to train teachers for rural vocational senior middle schools, secondary technical schools, agricultural broadcast and television schools and correspondence schools, and staff and workers schools, and then expand and radiate to a larger scope of areas through the large numbers of teachers trained. In science and technology, support is rendered by fixing direction and fixing localities to enable those localities implementing the plans of the "prairie fire," "single spark," and "bumper harvest" to become bridges and bases for diffusion of science and technology in rural areas.

To reform and develop rural education is an important aspect for further strengthening agriculture and rural work, and is a major subject which requires profound study and discussion. With the development of practice and the deepening of understanding, its connotation, goal, tasks, and measures should continuously be substantiated and enriched. However, "a thousand-li journey begins with the first step," things must be done from now on, and advance step by step toward this direction.

CENTRAL-SOUTH REGION

Minister Urges Hainan's 'Large-Scale Opening'

HK1505071192 Haikou HAINAN RIBAO in Chinese
7 Apr 92 p 10

[Article by Gao Shangquan (7559 1424 0356), vice minister of State Restructuring of the Economic System Commission and director of the China (Hainan Branch) Reform and Development Research Institute: "Implement Guiding Principle of 'Large-Scale Opening Up' To Accelerate Hainan's Development and Construction"]

[Text] Hainan's Position and Role in Reform and Opening Up of the Whole Country and the Challenge It Faces

1. Hainan occupies an important strategic position in the whole country's setup of opening up to the outside world. It is China's second largest island, second only to Taiwan. With a land area of 34,000 square km, it is the largest special economic zone [SEZ] in China. In addition, it has a sea area of two million square km making Hainan the province with the largest sea area in the country. How should we speed up exploitation of Hainan's maritime resources through reform and opening up? This is a matter of great significance in giving full play to Hainan's role in opening up to the outside world.

2. Hainan has a unique geographical position. Its shipping line is China's nearest to Europe, Africa, Australia, and South Asian countries. Furthermore, Hainan, as China's southernmost intersection, is a latent hub for air, shipping, and overland communications links. Therefore, Hainan's opening up will enable it to become a bridge and tie linking China with the international market and Asian-Pacific economic circles.

3. Hainan is the biggest SEZ in the country. Its social and economic structures are similar to those in the hinterland. However, Hainan's impact on the whole country is limited because its economy only accounts for 0.05 percent in the entire national economy. This means that Hainan's opening up in all directions, and its effort to blaze new trails in implementing the new systems, cannot only provide useful experience in economic reform for the whole country, but also reduce the risks in taking actions which will affect the overall situation and selecting ways for development. Viewing things from such an angle, one realizes that Hainan occupies a special position and plays a role which cannot be replaced by other SEZ's in the overall setup of reform and opening up of the whole country. Furthermore, construction in the Hainan SEZ is of great significance in giving play to the superiority of the socialist system.

4. Hainan is facing a very complicated environment, and its opportunity and challenge coexist. Hainan Province was established four years ago, and has experienced improvement of economic environment and rectification of economic order. The "political disturbance" in 1989 produced a fairly great influence over the newly established Hainan Province. Notwithstanding, Hainan has actively promoted its reform, opening up, economic development and construction. It has achieved successful experiences in many aspects. These experiences are of important significance to further implementation of China's reform and opening up line. However, we must also realize that since entering the 1990's, drastic changes have taken place in the world's politics and economy and that the whole world economy is increasingly becoming internationalized and all countries face acute competition. This has prompted the world economy to advance rapidly toward internationalization, regionalization, and syndication (ji tuan hua 7162

0957 0553). In particular, syndication trends in the Asian and Pacific region have become increasingly strong. In addition, the drastic changes in the situation in the Soviet Union and East European countries have also produced great influence on the world economic pattern. International capital, which takes making greatest profits as its objective, is trying to enter every market from the best angle. All this shows that the international environment has caused Hainan to face fierce competition. In addition, when the period of improving the economic environment and rectifying economic order has come to an end in China, reform and opening up in the country is gradually developing from the east to the west and from the south to the north. The development of the four SEZ's over a period of time and the economic development of Shanghai's Pudong Development Zone have also presented Hainan with a very severe challenge. Because of its disadvantages in capital, talented personnel, and technology shortages, Hainan might be hindered by other regions having better investment conditions. In the face of such fierce international and domestic challenges, if Hainan fails to seize the favorable opportunity to accelerate its development, economic construction in the SEZ will be severely affected. Of course, competition is acute and challenges are fierce. However, as long as Hainan is bold in marching toward reform and opening up and blazing new trails, good in practice, and able to fully make use of its comprehensive strong points in policies, geographic position, natural conditions, and so on to create a good investment environment, seize the good opportunity, actively import foreign and domestic capital, and actively introduce and utilize foreign capital in particular, its latent strong points will be turned into practical strong points.

Fundamental Way Out for Hainan's Development Lies in Further Expanding Opening Up

After entering the 1990's, how can Hainan, as the largest SEZ in the country, play a still greater role in the general setup of opening up to the outside world? The fundamental way out lies in further expanding opening up. A large SEZ must implement a "large-scale opening up" [da kai fang 1129 7030 2397] guiding principle. It is appropriate to say that without large-scale opening up, there would be no large SEZ.

1. Large-scale opening embodies Comrade Deng Xiaoping's strategic intentions. In early 1984, Comrade Deng Xiaoping inspected Guangdong, Fujian, and other places. On returning to Beijing, when discussing the issue of expanding opening up to the outside world with several central leaders, he pointed out: "We must also develop Hainan island. It will be a very great victory if we can develop Hainan's economy." In June 1987, when meeting with foreign friends, he reiterated: Our policy decision on establishing SEZ's is not only correct but also successful. We are running a still bigger SEZ, that is, the Hainan Island SEZ. Hainan Island is as big as Taiwan. It is rich in resources, including iron ore, oil, rubber and other tropical and semi-tropical crops. It will be marvelous if we can develop Hainan Island well. In

December of the same year, in basic consideration of Comrade Deng Xiaoping's designs of running the country's largest SEZ in Hainan, the central authorities approved and transmitted the "Summary of a Forum on Further Opening up Hainan Island to the Outside World and Speeding Up Its Economic Development and Construction." The "Summary" specifically expounds Comrade Deng Xiaoping's ideas on further opening up Hainan to the outside world, and the steps that should be taken. It promulgates a series of special policies for further opening up Hainan Island to the outside world and speeding up economic development and construction. This shows that the central task assigned by the central authorities to Hainan is to accomplish Comrade Deng Xiaoping's strategic intentions to speed up Hainan's development and construction through further opening up to the outside world and exploiting its strong points in terms of resources, geographical position, and policies. Such being the case, the most essential thing for Hainan to do in accomplishing Comrade Deng Xiaoping's strategic intentions is to further open itself up to the outside world.

2. Hainan has favorable conditions for implementing large-scale opening up guiding principles. The central authorities have stressed that to run a SEZ in Hainan, it is necessary to implement policies which are more special than those implemented in the other four SEZ's and exercise greater decisionmaking power in foreign economic activities. Hainan is qualified to enjoy these policies and run a still larger SEZ. First, Hainan Island is surrounded by sea. It has a perimeter of more than 30,000 square km. It is an island of over 200 km in length and breadth. It is easy to keep it apart from [ge li 7133 4418] or open it up to the outside world. Second, Hainan Island is very rich in natural resources and land, particularly tourism and maritime resources. Third, it has fairly cheap manpower resources. Fourth, thanks to the efforts made over the past four years to lay a foundation, conditions for large-scale development existed in terms of hardware [ying jian fang mian 4289 0115 2455 7240]. In terms of software [ruan jian fang mian 6526 0115 2455 7240], the management levels and capabilities of our cadre contingent have been enhanced. However, we must also realize that Hainan's strong points have not been fully exploited and its potential in various quarters is still great. The key to giving play to its strong points and tapping its potential lies in implementing, in a still better way, the various preferential policies provided by the central authorities, further expanding opening up, and deepening the various kinds of reforms.

3. To implement a "large-scale opening up" guiding principle, we must pay attention to the following points: First, as far as capital is concerned, SEZ's must mainly rely on absorbing and utilizing foreign capital to further speed up the pace of introducing investment from abroad and establishing lateral ties at home. Second, it is necessary to actively develop Sino-foreign ventures, enterprises based on cooperative business operations, and enterprises run solely by foreign capital, to give play

to the roles of economy under ownership by the whole people, collective economy, private economy, and individual economy. Third, products are mainly for export or sale in other areas, to speed up the intertwined process with the international market. Fourth, the emphasis of economic operations must be placed on market regulation to establish and improve the socialist market system. The Hainan SEZ must be opened up to the outside world in all directions to promote full-scale development and construction through large-scale key development projects.

To implement a "large-scale opening up" guiding principle in Hainan, a fundamental measure which must be taken is to establish, as quickly as possible, a special tariff zone characterized by "freeing the first line and exercising control over the second line." Hainan's geographical strong points are more unique than other regions. In recent years, a considerable improvement has been made in its basic facilities, management, and so on. It has accumulated experience. Conditions exist in Hainan to establish a special tariff zone. The present opportunities and conditions are good. Hainan must seize on the favorable opportunities to strive and prepare to establish its special tariff zone. Only thus can the "large-scale opening up" guiding principle in Hainan be truly implemented.

Accelerate the Pace of Hainan SEZ's Reform Around the Drive of Opening Up to Outside World

To further expand Hainan's opening up to the outside world, it is necessary to closely link opening up with economic and political structural reform, so that they can mutually promote each other. How should Hainan's reform be carried out around the drive of opening up to the outside world and organically linked with the expansion of opening up? Here, what is most important is that opening up to the outside world must be organically integrated with the province's practical condition, and the practical reality of its construction. Proceeding from this point, we must be bold in reforming those economic and political systems which do not conform with the development of productive forces. We must take the establishment of the new system, which is beneficial to opening up to the outside world, as a fundamental aim of our reform. This new system must conform with Hainan's practical conditions and the demand of its opening up and construction. In the meantime, it must be beneficial to the expansion of opening up. Various measures for reform must be formulated from this angle.

1. In accordance with the principle of separating government administration from enterprises, we must deepen reform in state-owned enterprises. Separating government administration from enterprises, and changing enterprises' operational mechanisms, is a key question in deepening enterprise reform. If we fail to solve this question, it will be impossible to invigorate enterprises or solve the problem of equal competition among various economic sectors. Therefore, under the prerequisite of separating government administration from enterprises, we must selectively carry out the joint-stock

system and adopt reform measures in the deeper levels, including auction, merger, bankruptcy, and so on in light of enterprises' different conditions. Conditions exist in Hainan to change enterprises' operational mechanisms and to push them into the market and to pursue the joint-stock system. This is because conditions exist in Hainan for different kinds of ownership systems based on introducing investment from abroad and establishing lateral ties at home. In the meantime, Hainan's conditions for implementing a system of "small government, big society" and growing market mechanisms are much better than those in the interior. Therefore, we must be bold in making exploration and have the courage to blaze new trails.

2. It is necessary to establish and improve an open socialist market system. A basic prerequisite for developing an export-oriented economy is that we must have a sound and open market system. Otherwise, it would be impossible to invigorate our enterprises and economy or develop our export-oriented economy. Therefore, in accordance with the demand of expanding opening up, we must establish and improve our wholesale, futures, and other essential markets. In the meantime, in accordance with the demand to establish and improve our open market, we must straighten out price relations as early as possible to create conditions for equal competition. With regard to the question of planning and market, I believe that the most important thing is that we must avoid an endless dispute over terms and expressions. On the contrary, we must explore in practice a specific form for integrating planning with market. Planning and market are means and methods for regulating economy. They are not marks for differentiating capitalism from socialism.

3. We must properly grasp the coordination of various reforms and promote, in a comprehensive way, reform of the social insurance system as quickly as possible. We must reform the relevant labor and personnel system, distribution system, and housing system. Reforms in these aspects will produce a great impact on overcoming the defects of the old systems and create new systems which conform with the development of our export-oriented economy.

4. We must improve and strengthen an indirect macroscopic regulation and control system for "small government." Whether Hainan's "small government" can be both small and effective is most importantly determined by whether it can effectively seize hold of the market, regulating and controlling market operations and standardizing market behavior through reforming our monetary, financial and planning systems and making use of market levers.

5. We must truly and properly grasp comprehensive reforms at county level. The greatest difference between Hainan and other SEZ's lies in the fact that Hainan administers 19 cities (counties). In particular, the county economy has formed a large proportion of the economic development setup of the whole province. Backward economic sectors have also occupied a large part. Failure

to solve the problems of county-level economy will greatly constrain the development of Hainan SEZ. Therefore, it is necessary to speed up the pace of reforms at county level. On the basis of improving the system of contracted responsibility on a household basis with remuneration linked to output, it is necessary to further expand the collectivized service system in rural areas and accelerate rural socialized production by carrying out reforms of county-level industrial, circulation, and financial systems, so that our rural commodity economy will achieve a new development.

Accelerate Hainan's Economic and Social Development Amid Reform and Opening Up

The ultimate aim of running the largest SEZ in Hainan, deepening reform, and expanding opening up, is to promote the development of Hainan's productive forces and its social progress. Therefore, while studying Hainan's reform and opening up, we cannot but fully consider the way to organically integrate reform and opening up with development. Only thus can reform have a clear and definite orientation and solid foundation. Only thus can we speed up the pace of reform and opening up.

It is necessary to gradually link Hainan's economic development with the international market amid reform and opening up, to accelerate the pace of development and construction.

1. It is necessary to study ways of improving investment environment to create basic conditions for attracting considerable investment by foreign countries and other parts of the country. A basic task for improving the investment environment is to promote the construction of basic facilities. It is beyond Hainan's present financial capabilities to undertake all investments in the construction of basic facilities. It is necessary, through reform and opening up, to tap various sources for investment in basic facilities projects. In particular, we must import foreign capital to promote international cooperative development and investment projects. The other aspect of improving the investment environment is that we must promote large-scale development. It is necessary to assign certain zones to foreign businessmen, where they can make investments in basic facilities construction. Therefore, it is necessary to formulate a comprehensive plan for land which can be developed to attract both foreign and domestic investors.

2. It is necessary to study the question of taking market demand as a guide to promote the coordinated development of trade, industry, agriculture, and tourism. One of the keys to developing Hainan's economy lies in expanding its trade. If we fail to solve this problem, many of Hainan's strong points will probably turn into weak points in the course of development. Therefore, we must expand intertrade channels for the sale of Hainan's products and the international market. In the course of expanding the international market, it is necessary to promote domestic sales of agricultural and sideline products which can save foreign exchange. In the immediate

and near future, the development of Hainan's industry must rely mainly on trade to upgrade and update processing and manufacturing industries for agricultural products. Hainan must select an industrialization approach which can push forward its export-oriented economy and the development of its foreign trade in particular. Guided by international market demand, it must also base itself upon its strong points in natural resources and pursue a guiding principle of promoting the coordinated development of its "trade, industry, and agriculture." It must start with the agricultural product processing industry, which has the advantage of less investment, rapid results, and good market demand to gradually accomplish its industrialization. Agriculture is a very important undertaking in Hainan's economic structure. The vital question facing agricultural development is to turn traditional agriculture into modern agriculture. Hainan's development of export-oriented economy must never be an industrialization strategy purely for industry's sake at the expense of agriculture. On the contrary, we must continuously coordinate relations between industry and agriculture, so that both of them can develop. In particular, we must now take agricultural development as a focal point in our strategy of promoting an export-oriented economy. Besides, we must also take tourism as a strategic undertaking for Hainan's development of its export-oriented economy and gradually turn Hainan into a multifunctional and comprehensive international tourist center.

3. It is necessary to study the issue of speeding up scientific and technical progress to promote economic development. To promote the development of Hainan's export-oriented economy, it is necessary to accelerate its scientific and technical progress. It is necessary to improve the quality of Hainan's labor force resources through education and training. We must formulate a plan for digesting, popularizing, and innovating useful imported technology to constantly enhance Hainan's technical know-how level. We must also readjust our production and organization setups to increase enterprises' economy of scale.

4. It is necessary to study the strategy of integrating Hainan's economic development with the ecological balance. We must turn Hainan's strong point of a green environment into a strong point in economic development. We must protect the environment and develop the economy through importing both domestic and foreign investments, attach importance to the comprehensive development of large-scale tropical agriculture and tropical tourism, and expand our green environment in a creative manner in the course of accelerating our export-oriented economy. In the meantime, we must also study the issue of internationalizing Hainan's environmental protection.

5. We must study the issue of advancing from land development to marine development because Hainan's marine resources constitute its basic strong point. Hainan Province has a vast sea area. It is a "small province in terms of land but large in terms of ocean."

This is Hainan's abundant capital for developing its export-oriented economy. Therefore, it is necessary to be more conscious of our ocean environment to gradually turn land development into marine one. This is an urgent and strenuous task for developing Hainan's economy. With regard to Hainan's marine development, we must rely mainly on importing foreign capital to take a new road of international cooperation and development.

SOUTHWEST REGION

Yunnan Higher People's Court Work Report

HK2605003692 Kunming YUNNAN RIBAO in Chinese
24 Mar 92 p 3

["Excerpts" of Work Report of Yunnan Provincial Higher People's Court, submitted by Qiu Chuangjiao (6726 0482 2403), president of Yunnan Provincial Higher People's Court, to Fifth Session of Seventh Yunnan Provincial People's Congress on 13 March]

[Text] In the past year, under the leadership of the party committees and under the supervision of the people's congresses, the law courts at various levels throughout the province conscientiously implemented the spirit of the Seventh and Eighth Plenary Sessions of the 13th CPC Central Committee and the central work conference, further carried out the administration of justice in all fields, made efforts to enhance the quality of law enforcement, consolidated the ranks of the judicial personnel and the grass-roots judicial organs, and made positive contributions to the maintenance of the state's stability and social stability and to economic development. In particular, in the mighty antinarcotics struggle, they made major breakthroughs and made substantial progress in handling drug-related criminal cases, thus safeguarding the dignity of the state and the nation and winning praise from public opinion at home and abroad. Now, the main points of our work in the past year are reported as follows:

First, Carrying Out Administration of Justice in All Fields, Taking an Active Part in Comprehensive Activities for Maintaining Law and Order in Society, and Serving the Purpose of Maintaining Social Stability and Promoting Economic Development

In the past year, the people's courts at various levels throughout the province have handled a total of 97,266 cases of all kinds, or 1,764 more than in 1990, and concluded 92,808 cases, or 1,980 more cases than in 1990. The rate of cases being concluded reached 95.4 percent. When facing arduous tasks and difficult work conditions, the vast number of judicial cadres and policemen faithfully fulfilled their duties according to the Constitution and other laws, and fully performed the functions of the judicial organs.

1. Strengthening function as organs of dictatorship and dealing severe blows at various serious criminal offenses.

In 1991, courts of law throughout the province handled 18,467 first-trial criminal cases of all kinds, an increase of 9.8 percent over 1990, and concluded 18,243 cases, an increase of 8 percent over 1990; the rate of cases being concluded reached 98.8 percent. The courts passed sentence on 23,895 culprits, 1,778 more than the number sentenced in 1990. Among them, 7,735 were sentenced to imprisonment for five years or longer, and 1,437 were sentenced to death with or without reprieve or life imprisonment. The administration of criminal justice was focused on the following three aspects:

First, resolutely carrying out the antinarcotics decision and severely cracking down on drug-related criminal activities. The people's courts at all levels throughout the province were aware of the urgency of the antinarcotics struggle, which has a bearing on the destiny of the state and the nation, and greatly increased the sense of responsibility for thoroughly banning narcotics. They were determined to unceasingly carry on the antinarcotics struggle as long as drugs still exist, and gave prominence to the administration of justice in drug-related criminal cases. They strengthened leadership; concentrated superior forces; closely cooperated with the public security organs, the procuratorates, and other functional organs concerned; gave full play to their judicial function; and carried out a full-scale antinarcotics struggle in the whole province. The struggle achieved marked results. According to statistics, in 1991, the courts throughout the province handled a total of 2,290 drug-related criminal cases and tried 3,671 people involved in these cases, or 865 cases and 2,041 people more than in 1990, or up by 78.7 percent [as published], and concluded 2,152 cases involving 3,413 people, or 948 cases and 1,783 people more than in 1990, or up by 66.7 percent [as published]; the rate of cases being concluded reached 93.9 percent. Of the culprits, 800 were sentenced to life imprisonment or death with or without reprieve. This dealt a heavy blow at drug-related criminals, and won support from the people and the party rank and file. Our main practice was: 1) conscientiously studying and propagating the "antinarcotics decision," and properly making mental and organizational preparations for the implementation of the decision; 2) intensifying investigations and promptly settling problems in the course of law enforcement; 3) taking intensive crackdown actions to bring about antinarcotics upsurges; and 4) persevering in strictly following the laws concerned and ensuring the quality of case handling.

Second, severely cracking down on various criminal offenses seriously jeopardizing public security and order, and safeguarding and guaranteeing the people's personal safety and property. Resolutely dealing quick and heavy blows, according to the law, at serious criminal offenses, including homicide, grievous injury, robbery, rape, hooliganism, abducting and selling people, and serious larceny, is another main task for the people's courts in their administration of criminal justice. When dealing with serious criminal cases occurring unexpectedly and having a very bad impact on public security, we adhered

to the guideline of involving ourselves in the investigations ahead of time, trying the cases intensively in order to conclude them earlier, and dealing timely blows at the criminals. In the past year, the law courts at various levels throughout the province passed sentences according to the law on 8,944 serious criminal offenders who had committed homicide, grievous injury, robbery, rape, hooliganism, and other felonies, and the number of convicted criminals increased by 15.4 percent over that in 1990. We also launched special campaigns to deal severe blows at such criminal activities as abducting and selling women and children, serious acts of theft, and damaging irrigation facilities and electric wires, and effectively checked these criminal activities. In the special campaign against larceny, the law courts at various levels handled a total of 5,411 larceny cases according to the law and passed sentence on 9,065 criminals involved in these cases, thus making contributions to protecting the property of the state, the collectives, and the people.

Third, severely cracking down on serious economic crimes and promoting the development of clean government. In the past year, the law courts at various levels throughout the province handled 5,465 cases related to various economic crimes, or 984 more than in 1990, and concluded 5,224 cases. The rate of cases being concluded reached 95.6 percent. The courts passed sentence according to the law on 6,712 culprits, and made up more than 18.35 million yuan of the state's economic losses through confiscating the criminals' ill-gotten property or imposing fines on them. Concrete actions included: 1) administering blows mainly at such economic criminal activities as graft, bribery, embezzlement of public money, and stealing of public property, which increased markedly in recent years; 2) attaching importance to the administration of justice in cases of smuggling, speculation, fraud through the signing of economic contracts, and serious tax evasion in order to maintain normal economic order; 3) constantly combining criminal punishment with economic punishment in the course of handling these cases so that the criminals not only incurred heavy political blows but also incurred severe economic punishment.

2. Properly handling civil, economic, and administrative cases and handling complaints and appeals, making full use of the judicial functions to regulate various social contradictions and to protect the legitimate rights and interests of citizens, legal persons, and other organizations according to the law.

At present, the number of civil cases is still larger than that of any other type of case handled by the people's courts. In the past year, the courts handled 48,532 first-instance civil cases, and concluded 46,871 cases. The rate of cases being concluded reached 96.6 percent. Of the civil cases handled by the courts, marriage disputes accounted for 58 percent. The cases related to damages, housing, alimony, and debt also assumed salient proportions. In the course of handling all kinds of civil cases, the courts at various levels constantly gave prominence to the aim of maintaining rural stability and

promoting rural economic development. They stressed the need to promptly handle cases which may directly affect family relations or affect the immediate interests of the people involved in disputes over marriage, alimony, and child custody rights, and also stressed the need to ensure the execution of the court rulings. For civil disputes over the ownership of mountain forests, irrigation facilities, and sites for building houses that might easily lead to fierce conflicts, stress was laid on giving publicity to the legal system and on timely guidance and persuasion. When seeing a certain type of case prevailing, some grass-roots courts dispatched their personnel responsible for civil cases to villages to handle cases on the spot. The grass-roots courts persistently made circuits of remote settlements with poor transport facilities to handle civil cases on the spot, thus bringing convenience to the local people who wanted to start legal proceedings. In the past year, the courts throughout the provinces handled 16,360 cases by sending their mobile adjudication teams to the remote countryside, and 35 percent of these cases were concluded. The judicial personnel responsible for civil cases were broadly praised by the rural masses for their behavior of thinking about the interests of the masses, being eager to meet the needs of the masses, bringing convenience to the people who wanted to start legal proceedings, and doing solid work for the benefit of the masses.

Economic jurisdiction is an important judicial function of the people's courts, using legal means to adjust economic relations and thus directly serve economic construction. Practice shows that as the economy is further developed, reform is carried out in depth, the scale of opening is enlarged, and the planned commodity economy becomes more mature, the legal system must be further perfected to guarantee that economic activities in all fields will be carried out according to laws and regulations. In the past year, the people's courts at various levels constantly showed a positive attitude in accepting and hearing economic cases, and handled them intensively. They handled and concluded 5,604 economic dispute cases of all kinds with the objects of the actions reaching a total of 239 million yuan. In the course of hearing and deciding economic cases, the law courts at various levels tried to make things favorable to production, favorable to the large and medium-sized enterprises, favorable to the development of the rural economy, and favorable to the in-depth development of reform and opening. In particular, they stressed the need to conscientiously and properly handle economic dispute cases in the following three aspects: 1) The cases concerning the development and perfection of the commodity market, the capital market, and the technology market; 2) the cases concerning enterprise reform, rural reform, and various output contract responsibility systems in rural reform; and 3) the cases concerning the introduction of foreign capital and technology and concerning foreign trade.

The establishment of the administrative proceedings system and the adjudication of administrative proceedings mark an important achievement in our country's

political structural reform, and a major development of our socialist democratic politics and legal system. By making earnest efforts, the courts have basically set up the organizational structure for handling administrative proceedings in the whole province, and the judicial work in this regard has begun. Last year, the courts accepted and handled a total of 790 first-instance administrative cases, or 368 more than in 1990, or up by 196 percent [as published], and concluded 770 cases, or 393 more than in 1990, or up by 104 percent. The rate of cases being concluded reached 92.3 percent. Because the work of hearing and deciding cases of administrative proceedings was started not long ago, the administrative organs, the citizens, and the law courts all had to take time to get used to such legal actions. In the course of judicial practice, the courts at various levels continuously overcame the fear of difficulty, showed a positive attitude in accepting and hearing cases, acted strictly according to the law, and guaranteed the quality of case handling. Among administrative cases concluded last year, the original administrative actions were upheld or the lawsuits against those administrative actions were withdrawn or were handled in other ways in 571 cases, or 74.2 percent of the cases concluded, and the courts decided to invalidate or change the original administrative actions in 199 cases, or 25.8 percent of cases concluded.

Handling complaints and appeals is an important part of the judicial work of the people's courts, and is also a window and a bridge for the people's courts to maintain close ties with the masses. In the past year, the people's courts at various levels still stressed the need to further perfect the institutions for handling complaints and appeals, improve the work system, establish the mass viewpoint, and seriously and responsibly handle the people's complaints and appeal letters and visits with or without relation to legal proceedings. In the past year, they received 92,990 letters from the masses and 82,389 visitors. They also handled 21,182 letters without relation to legal proceedings and received 25,466 visitors without relation to legal proceedings. In the handling of appeal cases, we stressed the principle of seeking truth from facts and redressing all wrongs, and strictly followed the adjudication and supervision procedures. If the original judgments were found to be correct, they were upheld according to the law; if the original judgments were found to be wrong, they were amended according to the law. The courts also took the initiative in contacting the parties concerned, and persuaded the petitioners to accept the court judgments. In the past year, the law courts at various levels placed 3,043 cases of all kinds on file for rehearing or retrial, or 1,150 cases fewer than in 1990. Among them, original judgments or sentences were upheld in 1,976 cases; original judgments or sentences were amended in 596 cases; and 471 cases were handled in other ways. The courts thus properly play a role in exercising judicial supervision.

3. Giving full play to the advantages of the people's courts, and constantly taking an active part in the

comprehensive actions to maintain law and order in society around the administration of justice.

In the past year, the law courts at various levels followed the instruction of the central Political and Legal Affairs Commission on focusing political-legal work on taking comprehensive action to maintain law and order in society from 1991 on, conscientiously implemented the principle of "simultaneously cracking down on crime and preventing crime, and taking both radical and stopgap measures," made great efforts to fulfill various tasks in the administration of justice, and made great strides in the participation of the people's courts in the comprehensive work for maintaining law and order in society. First, they resolutely dealt quick and heavy blows at various serious criminal offenses according to the law and meted out punishment to serious criminal offenders who harmed the socialist cause and endangered public security or order, thus demonstrating the dignity of the people's democratic dictatorship. Second, through hearing and deciding a number of civil, economic, and administrative cases and handling complaints and appeals, the courts adopted the effective methods of arbitration, mediation, and persuasion to protect the legitimate rights and interests of citizens, legal persons, and other organizations according to the laws, positively resolved the people's internal contradictions, promoted the construction of spiritual civilization, raised the moral standards in society, established good economic order, and strengthened the construction of the democratic and legal system. Third, through open trials and hearings, open announcement of sentences and judgments, putting up notices, compiling materials about typical cases, making use of the mass media, and providing legal consulting services, the courts played a great role in giving publicity to the socialist legal system. Fourth, in view of the problems exposed in the administration of justice, the law courts actively carried out judicial proposal activities to prompt the units concerned to take timely measures and improve systems to stop up loopholes and prevent the recurrence of offenses and crimes. Fifth, in the administration of criminal justice, the courts combined education with adjudications and punishments. They paid attention to the use of some special forms to handle the cases concerning minor criminals in order to prompt them to voluntarily accept the punishments and express repentance. Sixth, the courts properly handled the work concerning commutation of sentences and release on parole, and this enabled the convicts to see their own futures after making efforts to transform themselves. In the past year, the courts handled 9,870 commutation-of-sentence cases and 724 release-on-parole cases. This rather effectively prompted the convicts to be more determined to turn over a new leaf, and also effectively supported the management and correction work of the reform-through-labor institutions. Seventh, the courts actively assisted the institutions concerned in properly supervising the behavior of people who were given suspended sentences, put under public surveillance, or exempted from punishment by visiting them and giving them help and education. This

prompted them to admit their guilt, accept the punishments, and mend their ways, thus reducing recidivism. Eighth, the courts took the initiative in providing legal consulting services for the public, and particularly provided pertinent legal services for the large and medium-sized enterprises. Ninth, the role of the people's tribunals [ren min fa ting 0086 3046 3127 1656] as outposts and forward positions was brought into play, and a large quantity of disputes were settled at the grass-roots level. The people's tribunals are the agencies [pai chu ji gou 3175 0427 2623 2845] of the grass-roots people's courts, and most of them are located in the countryside. They shoulder the workload of handling over 70 percent of civil disputes, and also handle simple economic disputes and minor criminal cases. In the past year, the grass-roots people's tribunals throughout the province paid attention to carrying out four measures in the comprehensive action to maintain law and order in society through performing their judicial functions, giving guidance to the work of the people's mediation commissions, giving publicity to the legal system, and acting promptly to mediate in disputes. As a result, a large quantity of potential disputes were settled at the grass-roots level while still in the embryonic stage.

Second, Persisting in Seriously Enforcing the Law and Continuously Enhancing the Quality of Law-Enforcement; Consolidating the Law Courts and Raising the Quality of Judicial Personnel

Seriously enforcing the law and enhancing the quality of law-enforcement provides an important guarantee for the courts' work to serve social stability and economic development, and is also a concrete manifestation in judicial work of the socialist legal system's principle of acting according to law, seriously enforcing the law, and bringing those who break the law to justice. In the past year, the people's courts at various levels throughout the province continued to make great efforts to ensure the serious enforcement of the law. In particular, they made great efforts to ensure the quality of case handling, raise the efficiency of case handling, and achieve better results in case handling.

1. Persistently stressing open trials and open hearings, fully implementing the laws on proceedings, and continuously raising the quality and efficiency of case handling. In the past year, we stressed the need to be fully aware that the laws concerning legal procedures are indispensable "operation rules" for guaranteeing the correct application of the substantive laws [shi ti fa 1395 7555 3127] and the need to resolutely check the deviation of only stressing the substantive laws and neglecting the procedural laws. The courts at various levels persistently stressed open trials and open hearings in the administration of justice; conscientiously followed all legal procedures and systems; and really guaranteed the rights of action, defense, appeal, and complaint of the parties involved in proceedings. They also actively explored ways to improve the pattern of hearings for handling civil and economic disputes, and stressed the burden of proof on parties involved in proceedings. At the same

time, attention was also paid to bringing the positive role of lawyers into play. Efforts were made to ensure that the handling of cases was based strictly on facts and evidence and was strictly in line with legal procedures and the law. The courts strove to handle more cases more quickly according to the legal procedures under the premise of guaranteeing quality.

2. Adhering to the principle of "placing quality above everything else" and making great efforts to ensure "accuracy." We stressed that law courts at all levels must persistently follow the principle of taking facts as grounds and taking laws as the yardstick for the administration of justice. In the course of trying counterrevolutionary cases and ordinary criminal cases, the courts were required to strictly distinguish crime from non-crime, distinguish one crime from another crime, and distinguish felonies from misdemeanors; set all the facts straight; apply the laws correctly; and mete out appropriate punishments. In particular, the provincial court acted very prudently in dealing with the cases in which the death penalty was imposed on the accused by subjecting these cases to double-checking and approval by a chain of institutions in order to ensure that no error would be made. In the course of hearing civil and economic cases, the courts were required to set the facts straight, distinguish right from wrong, make responsibilities definite, and correctly apply the law to properly settle the disputes when the court judgments were made. It was also required that in the cases concluded through mediation, the solutions be in line with the law. They were not allowed to mix right with wrong or to abandon principles. In particular, when parties involved in legal proceedings harmed the interests of the state, the collective, or other people by abusing their disposal rights, agreements reached through mediation could not be approved. In the handling of administrative proceedings cases, the courts not only need to support the administration according to the law, but also need to protect the legitimate interests of citizens. They must not be partial toward the official institutions against which common people take legal action, and cannot handle such cases unfairly. We required of the people's courts at all levels throughout the province that they must not be affected by "connections" and "personal feelings" at any time. In particular, they were required to resolutely overcome local protectionism in order to safeguard the dignity of the law.

3. Attaching importance to the work of ensuring the execution of the judgments on civil and economic cases. In the past year, the people's courts at various levels made greater efforts to ensure the execution of the court judgments. First, they concentrated strength and time to launch "campaigns" for putting court judgments into execution. Second, they organized both sides involved in legal actions to study the relevant laws and the stipulations on executing court judgments, and helped the party with entitlement and the party with obligation in the proceedings to work out an execution scheme through consultation on the basis of enhancing their understanding of the law. The execution was supervised by the

court. If the court judgment was not put into execution within the time limit, the court could effect coercive execution. Third, in the hearing stage the courts paid attention to having the assets of the parties concerned registered properly, and took measures guaranteeing proceedings in good time if such measures were necessary, thus guaranteeing and laying a good foundation for the execution of the court judgments.

Consolidating the ranks of the judicial personnel provides a guarantee for enhancing the law-enforcement quality of the people's courts and for performing their judicial functions and fulfilling their tasks in all fields. In particular, under the present complicated and changeable international situation, consolidating the ranks of the judicial personnel and enhancing the quality of the judicial contingent is the fundamental measure for laying a solid foundation for meeting the strategic requirement of resisting "peaceful evolution." In this regard, we mainly effected the following three points:

First, properly organizing the study of the basic theory of Marxism-Leninism-Mao Zedong Thought, and increasing the capacity of the cadres and policemen for resisting "peaceful evolution." Through ideological education, cadres and policemen were aware that they must be able to stand any tests no matter what changes occur in the international situation and what political winds and waves emerge in our country, and must always maintain the same ideological and political position as the party central leadership. Thus, in their judicial work, they consciously carried out the party's line, principles, and policies and the state's laws, and actively fulfilled various judicial tasks. Second, making greater efforts to prevent corruption and strictly enforcing work discipline in the law courts. While continuing to enforce the "eight prohibitions" laid down by the Supreme People's Court and the "six rules for handling legal proceedings" laid down by the provincial law court, they further reinforced the supervisory mechanisms and continuously perfected the rules and regulations for preventing corruption. This effectively prevented and eliminated in the courts' work such corrupt phenomena as abusing powers in the pursuit of private gain, blackmailing the parties involved in legal proceedings, playing at favoritism, and committing irregularities; and also increased the capacity of cadres and policemen for resisting corrosive influences and preventing degeneration. Third, persistently making efforts to run spare-time law colleges and take this as the main channel for personnel training, and also stressing in-service training in the aspect of cadre education, thus raising the professional attainments of cadres and policemen.

Third, Summing Up Experience, Adopting an Explicit Work Guideline, and Further Doing a Good Job This Year

In the past year, the courts achieved marked results in their work, but there also exist three problems: First, the quality of cadres and policemen does not meet the requirements of the objective situation and the task. Second, the manpower in the judiciary is seriously

inadequate as compared with the rapidly increasing workload. Third, the existing material conditions are not suited to the needs in the development of the judicial tasks. To solve these problems, the courts at various levels are required to make further efforts to strengthen the building of the contingent and continuously raise the political and professional quality of cadres and policemen. At the same time, party committees, people's congresses, and governments at various levels also should continue to help and support the people's courts in improving their conditions for enforcing the law, thus making their work better suited to needs in the development of the situation and the tasks.

In the next year, in order to properly fulfill their duties specified by the Constitution and the law and properly fulfill various judicial tasks, the people's courts must constantly follow the following guiding principles:

—Constantly maintaining the people's democratic dictatorship. They must give full play to their role in protecting the people, cracking down on enemies, dealing out punishments to criminal offenders, promoting reform, and serving the four modernizations. They should resolutely deal out severe punishments to counterrevolutionaries who attempt to overthrow our government of the people's democratic dictatorship and our socialist system, severely crack down on criminal offenders who seriously jeopardize public security and disrupt the economy, and take an active part in the comprehensive action to maintain law and order in society through their judicial activities, thus maintaining the state's stability and social stability. At the same time, through their judicial activities, they should also correctly and properly handle contradictions and disputes among the people, and effectively protect the legitimate rights and interests of citizens, legal persons, and other organizations.

—Constantly and strictly enforcing the Constitution and the law. The socialist legal system in our country has basically taken shape. The administration of justice in various fields conducted by the people's courts must strictly follow the law. They should act by taking facts as the grounds, taking the laws as the criteria, and taking the party's policies as the guideline. They should strictly follow both the substantive laws and the procedural laws, and consistently uphold the principle of everyone being equal before the law. They should ensure that all the laws are being abided by and rigorously enforced and all lawbreakers are surely brought to justice, thus establishing the authoritative dignity of the socialist legal system.

—Constantly orienting the judicial work to serving economic construction. It is necessary to conduct the judicial work closely around the central task of economic construction and to firmly establish the guiding principle of serving reform and opening and serving the development of the socialist planned commodity economy. The functional role of judicial work in regulating economic relations should be brought into

full play so that legal means can be used to guarantee and promote socioeconomic development.

—Constantly exercising judicial power independently according to the law and under the party's leadership. This is an extremely important principle specified by the Constitution. The party's leadership is the fundamental guarantee for the people's courts to fulfill their judicial tasks. Only by maintaining the party's leadership can the people's courts correctly grasp the orientation of judicial work and correctly carry out the principle of independently exercising judicial power according to the law.

—Constantly following the ideological line of seeking truth from facts and the work method based on the mass line. It is necessary to always follow dialectical materialism, approach everything from a realistic point of view, respect objective facts, pay more attention to investigation and study, and correctly carry out laws and policies. The fine tradition and work style of the people's judicial organs in serving the people wholeheartedly and combining their professional work with assistance and support for the masses should be carried forward with their ties with the masses being made closer. Thus, the people's judicial work can better serve reform, opening, and economic construction under the new situation through continuously summing up experience.

NORTHEAST REGION

Heilongjiang 'Article' on Party's Basic Line

SK2404013392 Harbin HEILONGJIANG RIBAO
in Chinese 23 Mar 92 p 1

[Article No. 1 on emancipating minds and accelerating reforms and opening to the outside world by HEILONGJIANG RIBAO commentator: "The Basic Line Must Be Implemented for 100 Years"]

[Text] Since the Third Plenary Session of the 11th party Central Committee, our country's economy has been rapidly developed, the comprehensive national strength has been enhanced by a large margin, the people's living standards have noticeably improved, and social stability and unity have emerged. People all over the world have generally acknowledged that the past 10-odd years were a golden period of our country's socialist construction. It came from the unswerving efforts of the whole party and the people across the country to keep to the basic line. Just as was pointed out at the recent plenary session of the Political Bureau of the party Central Committee: "This is the most valuable experience which our 100 million people have gained in practice under the leadership of the our party and the guidance of Comrade Deng Xiaoping's ideology of building socialism with Chinese characteristics since the Third Plenary Session of the 11th party Central Committee, and the fundamental reason for the tremendous changes in socialist China over the past more than 10 years. If we firmly grasp the party's basic line of one central task and two basic points

and keep it unchanged for 100 years, our country will enjoy a long period of order and stability and China will have great hopes."

That the party's basic line should remain unchanged for 100 years is an in-depth understanding of our country's national condition and a Marxist scientific analysis of the main contradictions of a socialist society. The contradictions between the daily people's increasing material and cultural needs and the backward socialist production and the main contradictions of a socialist society will emerge during the whole socialist historical period, and other contradictions will be determined and governed by these main contradictions. This has decided that the main tasks of socialism are to emancipate and develop productive forces and that economic work is the focus of all tasks. In the history of our country, we once made mistakes in the judgement of the main contradictions of a socialist society, and therefore, we suffered greatly for it. The great contributions of the Third Plenary Session of the 11th party Central Committee were, first of all, to set right things which have been thrown into disorder on this fundamental starting point, to discard the practice of "taking class struggle as the key link," and to shift the work emphasis of the whole party. We should not forget this historical lesson at any time and must not vacillate to the slightest degree the understanding of the main contradictions of a socialist society and the major tasks determined by them. At present, we are really facing the struggle between peaceful evolution and counter-peaceful evolution. To this end, we must never lower our guard. However, the contradictions between peaceful evolution and counter-peaceful evolution will also be governed by the main contradictions of a society. We should not confuse our understanding of the main contradictions of a socialist society because of the changing international situation, or decentralize our attention from the central task of economic construction. Under the given socialist conditions, the main contradictions of a socialist society will remain unchanged, and the major tasks set by the main contradictions, namely the emancipation of minds and the development of productive forces, will also remain unchanged. Whether we can win a final victory in the struggle to oppose peaceful evolution is fundamentally determined by whether we can do our work well and can push the economy forward. We must first grasp the central task of economic construction, conduct reforms boldly, and work hard in an effort to emancipate minds and develop productive forces. To better implement the party's basic line, we must comprehensively and accurately understand the relations of "one central task and two basic points." The core of the party's basic line is to take economic construction as the central task and the central task as the focus. The two basic points must be carried out and subordinated to the central task of economic construction and are aimed at guaranteeing and promoting economic construction. The two basic points imply two basic points, not one basic point. The four cardinal principles are the foundation for building the country and reforms and opening to the outside

world are the way to make the country strong. There is no primary or secondary between the two. We must not promote one and control the other. The two should supplement and promote each other, and none of them can be dispensed with. While implementing the party's basic line, we should profoundly understand scientific connotation and mutual relations of the basic line and should not recklessly cut them apart or add something or take something away. Only thus, can we be more conscientious in implementing the basic line.

That the party's basic line must be implemented for 100 years means that we must not vacillate or have ideological relapses at any time on this major issue which has a bearing on the future and destiny of our party and the country. The gradual realization of our country's three-step long-term development strategy and the great regeneration of the Chinese nation require the arduous struggle of the people of several generations. The party's basic line is a magic weapon for guiding us from victory to victory. Over the past 12 years, our Heilongjiang Province, like all other places in the country, achieved noticeable achievements in economic and social development under the guidance of the party's basic line. Under the changing international situation in particular, the whole province witnessed political, economic, and social stability and maintained a good trend of continued development. These were the vivid expressions and achievements of the party members, cadres, and the masses of people throughout the province who faithfully implemented the party's basic line. However, compared with advanced localities of the country, we still need to make continued efforts to emancipate minds and strengthen dynamics in such aspects as determining the status of enterprises as the commodity producers and managers, the market regulation role, the development of individual and private sectors of the economy and of the joint, cooperative, and foreign-funded enterprises, opening up to the outside world, and enhancement of economic efficiency. All in all, only by upholding the party's basic line can we further accelerate our province's economic and social development.

Heilongjiang Issues Rules on Satellite TV

SK2104084192 Harbin Heilongjiang People's Radio
Network in Mandarin 1000 GMT 20 Apr 92

[Text] The provincial radio and television department, the provincial public security department, and the provincial state security department jointly issued a circular on strengthening management over satellite TV programs.

The circular states: With our province's new progress in foreign economic relations, science, technology, and cultural exchanges, the development of the entire province's satellite TV ground receiving facilities was quite rapid over the last few years. To do a better job in strengthening management over the receiving satellite TV programs, we issue the following stipulations: Except for the (?original relay facilities) of radio and television stations, all satellite TV ground receiving facilities in our

province should all be registered at the local radio and television administrative departments from the first day of issuance of this circular. Units whose satellite ground receiving facilities have been examined and accepted and proved to be up-to-standard by the provincial radio and television department, the provincial public security department, and the provincial state security department will receive a certificate of qualification from the provincial state security department. The provincial radio and television department will issue licences to these units to transmit the television programs from satellites of foreign countries or to transmit television programs from domestic satellites by means of their satellite TV ground receiving facilities. Satellite TV ground receiving facilities installed by individuals must be reported to the higher level and be examined and approved by the higher-ups. Regarding those who fail to apply for a licence within a time limit and who receive satellite TV programs or those who expand the coverage and the coverage content without authorization and approval, the radio and television, public security, and state security departments at all levels have the right to supervise, investigate, and stop them. Units that violate discipline must be strictly handled in line with the relevant state regulations.

Liaoning Editorial, Commentator on Emancipating Mind

92CM0301A Shenyang LIAONING RIBAO in Chinese
5 Mar 92 p 1

[Editorial: "Need For Further Emancipation of Thinking"]

[Text] During this time when the winds of change are blowing internationally, when the Chinese Government is functioning well and the people are enjoying peace, and when reform and opening to the outside world are intensifying, we are diligently studying the most recent series of speeches by leading comrades of the Central Committee, and realizing all the more the necessity and the importance of emancipating thinking.

Even before the Third Plenary Session of the 11th party Central Committee, Comrade Deng Xiaoping noted profoundly that only when thinking has been emancipated can we use Marxism and Mao Zedong Thought correctly as a guide for reforming production relationships and a superstructure that does not correspond with the rapid development of productivity, establishing concrete avenues, plans, methods, and measures based on the country's realities for realization of the four modernizations. When thinking is not emancipated, and when thinking is ossified, many strange phenomena occur: outmoded ideas increase; the amount of swaying with the wind increases; and bookishness separated from reality becomes serious. Comrade Deng also called upon the whole party to emancipate thinking, to use its brains, to seek truth in facts, and to unite as one to look ahead. Practice has fully demonstrated the correctness of Comrade Deng Xiaoping's contention. Historically, every social advance has been preceded by the emancipation of

thinking. Each step in the emancipation of thinking and each rise in understanding has meant a step ahead in the development of society. Wherever thinking is emancipated, work is filled with vitality and achievements are great. Wherever thinking is ossified and people are too cautious, no breakthroughs are made in work. China's world-arresting accomplishments during the past 13 years of reform and opening to the outside world are, in the final analysis, the result of adherence to the party's ideological line of seeking truth in facts, steady emancipation of thinking, and active exploration. Without the emancipation of thinking, there would be none of the reform and opening to the outside world of today. Consolidation and development of the fruits of reform and opening to the outside world will continue to require us to emancipate our thinking a little bit more, be a little more courageous, and accelerate the pace somewhat.

Each of the achievements the province has scored during the past 13 years are also attributable to the emancipation of thinking, and daring to explore. Nevertheless, by comparison with advanced areas, the degree to which our thinking has been emancipated is still not enough. Rigidity in thinking still exists in varying degrees. Overcoming rigid thinking, and further emancipating thinking are major political tasks facing us. Today, some rightist things affect us, and some "leftist" things affect us too. However, it is the "leftist" things that are deep-rooted. Some theoreticians and statesmen intimidate people by pinning political labels on them. This is not rightist, but "leftist." "Leftism" has a revolutionary flavor as though the more "leftist" one is, the more revolutionary. Historically, "leftist" things in our party have been very frightful. Very fine things have been done in by it all of a sudden. Rightism can be the ruin of socialism, and "leftism" can be the ruin of socialism too. We must be vigilant against the right, but most important is to guard against "leftism." Rightist things do exist; upheavals are rightist! "Leftist" things also exist. Termining reform and opening to the outside world the introduction and development of capitalism, and supposing that the main danger from peaceful evolution lies in the economic realm—such things are "leftist." Our calling for emancipation of thinking means completely rooting out the baneful influence of "leftism" for the revival of and perseverance in the party's ideological line of proceeding from realities in all endeavors, seeking truth in facts. It means taking a clear-cut stand in adhering to standards for productivity, giving positive support and encouragement to everything that benefits the development of the regional economy. It means surmounting bureaucratism and formalism, daring to take risks, and actively innovating. It means vigorous development of people's intelligence potential, courageously using all materials useful to our province's four modernizations, and particularly courageously putting the younger generation to work, encouraging them to undergo the tempering of experience to increase their ability.

The key to the emancipation of thinking lies in leadership. An extremely great reservoir of zeal and creativity

for the building of socialism can be found among the masses that is just waiting for us to develop and channel. First of all, leaders must believe in the masses, be willing to take a back seat, listen to what they have to say, and report their demands. They must make timely summarization of the masses' pioneering spirit, and lend positive support and nurture to new things. They must dare to innovate, courageously explore, and not be afraid of making mistakes. During a period of social change, it is normal to have different perceptions of events that occur. One should not simplistically label people, one must not be critical, and one must not waste precious time in endless controversy. Instead, one must courageously experiment and courageously blaze new trails. Some people worried that the former rural reform was capitalism, so we waited and made some actual achievements for them to see. As a result, people who had been unconvinced saw the light and admitted we were right. It was through such pioneering and work that Shenzhen came into being. It was not talked into being. Urban reform today must also be done in this way. Some people imagine that each additional increment of foreign capital means an additional increment of capitalism. They suppose that because the three kinds of partially or wholly foreign-owned enterprises are numerous, then capitalist things are numerous, i.e., the development of capitalism. Such people do not have even basic common knowledge. The standard for judging issues of socialism and capitalism should be primarily whether they help the development of productivity in a socialist society, whether they help develop overall socialist national strength, and whether they help improve the people's standard of living. Our comrades need not fear the reproach of others. They need only set their course and forge ahead without turning back. In the course of practice, leaders at all levels must constantly weed out the old to bring forth the new; they must courageously analyze themselves, make comparisons with advanced areas to find shortfalls, examine themselves critically every day, determine what places in their thinking are not consistent with reality or are divorced from the masses, what work methods limit the development of productivity, and whether they are bureaucratic and formalistic in their work style. Communist Party members must serve as models for the emancipation of thinking. A new year has begun; the good earth of Liaoning is stirring with spring vigor, and a whole year's work depends on a good start in spring. A person rarely gets several chances to do something positive in life. Let's further rally spirits, use our brains, welcome the convening of the 14th party congress with creative achievements, and struggle to move ahead with the building of the two civilizations in our province.

Unifying Thinking Viewed

SK2804034192 Shenyang LIAONING RIBAO
in Chinese 17 Mar 92 p 1

[Second in a series of articles on further emancipating the mind by a LIAONING RIBAO commentator: "The Important Basis for Unifying Thinking"; monitored PRC media have not been observed to carry an article

identified as the "first" in the LIAONING RIBAO commentator series on emancipating the mind]

[Text] The recent plenary session of the Political Bureau of the CPC Central Committee was very important. Where should we proceed in the implementation of the meeting guidelines? Judging from Liaoning's specific conditions, we should first do a good job in emancipating minds. Comrades throughout the entire party, particularly leading cadres at all levels, should conscientiously implement Comrade Deng Xiaoping's important thesis on building socialism with Chinese characteristics, further emancipate minds in close connection with reality, persist in seeking truth from facts, and realistically solve existing ideological problems. This is the important basis for unifying the party's ideology and the preconditions for successfully carrying out all fields of work in the future.

"Emancipating minds, seeking truth from facts, working in unity, and looking into the future" was a major principle defined at the third plenary session of the 11th party Central Committee. Over the past more than 10 years, we took the emancipation of minds as our guidance in making every step in the work of bringing order out of chaos and conducting comprehensive reforms and four modernizations. The basic theory and basic line on building socialism with Chinese characteristics is the greatest ideological theoretical achievement of our party in persisting in emancipating minds and seeking truth from facts. Socialist modernization, reforms, and opening to the outside world require a very long historical process. When the old contradictions are solved, new ones will arise, and new situations and new problems will emerge in an endless stream. It is impossible to solve ideological problems one and for all. Therefore, the principle of emancipating minds and seeking truth from facts must be upheld for a long time.

Seizing the current favorable opportunity, accelerating the reform and concentrating on pushing the economy forward are our most important and pressing tasks. However, the ideology of some of our comrades, particularly some comrades assuming leadership responsibility, is incompatible with these tasks. For example, the many difficulties and contradictions we have met in our province's economic and social development are the concentrated manifestations of the in-depth contradictions accumulated for a long time in our economic life and the result of the comprehensive actions of both subjective and objective factors. They illustrate that our ideology of taking economic construction as the central task is not firmly cultivated, the emancipation of minds is not enough, the reform consciousness is not strong, and the mental state is not fully aroused. Under such circumstances, it is necessary to promote the practice of further emancipating minds and persisting in seeking truth from facts.

Further emancipating minds means that we should free ourselves from the "Leftist" ideological shackle. There are both rightist things (turmoils) and "leftist" things affecting us. But the deep-rooted things are the "leftist"

things. We should guard against rightist things, but the most important is to prevent "leftist" things. If we term reforms and opening up as bringing in and developing capitalism and believe that the main danger of peaceful evolution comes from the economic sphere, that means we are doing "leftist" things. To weigh the success and failure of reforms, including the standard for which to judge "socialism" and "capitalism," we should mainly see whether they are conducive to developing the productive forces of a socialist society, to intensifying the comprehensive national strength of a socialist country, and to enhancing the people's living standards. Things that conform with "these aspects" are the things demanded by socialism itself or allowed by it. Only when we uphold this standard can we free ourselves from the puzzle of "socialism" and "capitalism."

Further emancipating minds means that we should free ourselves from the ideological shackle of the commodity economy. As an old industrial base, Liaoning has a great proportion of heavy industry and many large and medium-sized state enterprises. Thanks to its long implementation of the highly-centralized planned economic system, the influence of the commodity economic concept has been deep and extensive. The people are used to merely applying administrative means and are not good at applying economic means; they are used to implementing mandatory plans and have neglected the role of commodity production, the law of value, and the market mechanism; they are used to eating from "a common big pot" and practicing egalitarianism and have regarded the "three irons and big common pot" as the superiority of socialism. Especially at the time when there were conflicts between the old and new systems and the new contradictions and difficulties in our economic life, the people often consciously or subconsciously copied the old methods that might "tie up" enterprises or exercise rigid control over the economy. Therefore, we should break with the old concept of the commodity economy and cultivate a new concept of the planned commodity economy and a series of related concepts.

Further emancipating minds means that we should free ourselves from the mode of thinking of "copying everything from books and doing everything according to orders from higher-ups." We should study the "book worshipping" of Marxism, have a good command of it, and make good use of it. We should not engage in "book worshipping," and should not tailor the reality of life with an abstract formula. We should conscientiously implement the policies and regulations of organs at the higher level, but we should not neglect the actual local situations and copy them mechanically in disregard of specific conditions. We should properly combine the policies and regulations of the higher-ups with the actual situation in our localities, our own departments and units; make good, vivid, and sufficient use of the policies; and work creatively. It is necessary not to rashly negate the new things emerged in reforms, even though

they may not conform to some regulations of our departments. We should allow experiments and help these new things improve themselves.

Further emancipating minds implies that we should free ourselves from the passive spirit of fearing hardships and attempting nothing and accomplishing nothing. In addition to seeing the difficulties, we should also recognize the favorable conditions of overcoming difficulties. As long as we are not dispirited, we will find many methods for overcoming difficulties. We should conscientiously sum up experience and lessons, look closely at ourselves again, pay attention to finding out the reasons, and have courage to touch those deep-rooted problems that create a severe financial and economic situation. As long as we enhance spirit, make vigorous efforts to make the country prosperous, never let success go to our heads, guard against complacency, never avoid the exposed problems or conceal shortcomings, grasp the work with real efforts, work in a down-to-earth manner, and dare to tackle difficult problems, we will be able to create a new situation in reform and development.

The basic condition for the emancipation of minds is to maintain a stable and united political situation, and our duty is to remain responsible for consolidating and developing this situation. Under the premise of upholding the four cardinal principles, we should strive to create an active atmosphere and a media environment of daring to blaze new trials and to do experiments, encourage the people to boldly explore and deeply study the new situation and new problems in the course of reforms and development, and advocate criticism and self-criticism. We should conscientiously sum up past experience, seek things of a regular pattern from it, pay greater attention to major issues that affect the overall situation, conduct in-depth investigations and study, define strategic guidelines and policy propositions for a certain period, conscientiously organize people to implement them, and firmly implement all tasks. In the final analysis, "one practical step is more important than one dozen guiding principles."

Grasping 'Central Link' Urged

SK2904040792 Shenyang LIAONING RIBAO
in Chinese 19 Mar 92 p 1

[Third in a series of articles on further emancipating the mind by a LIAONING RIBAO commentator: "Firmly Grasp the Central Link"]

[Text] To speed up the pace of reform, opening up, and economic construction, first of all, we should ideologically define the key position of the economic construction. Comrade Deng Xiaoping has once pointed out: "Now, we should have determination. Except for the outbreak of a large-scale war, we should consistently and thoroughly engage ourselves in economic construction, do everything in line with economic construction, and never be disturbed by anything. Even if a large-scale war takes place, we still have to continue doing it or redoing it after the war. The whole party and all the people

should firmly foster lofty aspirations and great ideals, firmly grasp and never loose them, be more 'obstinate,' and not waver in the least." That is to say, taking economic construction as a key link is the important content of the basic line of the party. There is no second key link but only the key link of economic construction.

Taking economic construction as a key link is a correct conclusion made by our party by linking the basic Marxist principle with the actual Chinese conditions, observing the basic requirement of historical materialism, and proceeding from the basic situation of the country. Marxism pays most attention to developing productive forces. Liberating and developing productive forces is the fundamental task in the socialist historical stage. Taking the economic construction as a key link fully embodies the objective requirement of the law of historical development in the socialist society. Now, our country is in the initial stage of socialism. The contradiction between the increasingly more material and cultural demands of the people and the backward social production is the major contradiction in the current stage. So, concentrating efforts on developing productive forces, developing the national economy, and realizing the socialist modernization is of more important and urgent significance in the initial stage of socialism. Taking economic construction as a key link fully reflects this urgent demand. At present, our country is in the key socialist modernization period. We must firmly grasp favorable opportunities, persistently take economic construction as a key link, promote the rapid development of the economy, and elevate the economic construction of the country and the province to a new high.

Under the current changing international situation, persistently taking economic construction as a key link and speeding up the pace of economic development is of extremely important significance to strengthening the attractive and cohesive power of socialism. The superiority of socialism is reflected by the fact that the productive forces of socialism are developed at a speed higher and faster than those of capitalism. In the struggle between the forces for and against peaceful evolution, the economic strength is the foundation. The key to resisting peaceful evolution hinges on grasping our own things. Of this, grasping the key link of economic construction is of extreme importance. We must work wholeheartedly and solidly, engross ourselves in hard work, promote economic construction, and make real achievements in economic construction further fully display the gigantic superiority of the socialist system.

To take economic construction as a key link, we should comprehensively and deeply understand the political line of the party and realistically ensure that there are the organizational and ideological lines. Whether we can consciously persist in taking economic construction as a key link in doing our practical work is a matter relating to the fundamental attitude toward the political line of the party. The whole party and the whole country have only one unified central link. That is economic construction. No localities and no departments can make exceptions. If we divorce ourselves from the key link of

economic construction, implementing the basic line of the party will become an empty talk. Leading bodies at various levels must constantly take the economic construction as a key task, pay full attention to it, and really become a strong leading core in implementing the key link of economic construction, adhering to the four cardinal principles, and persisting in the political line of reform and open-up. All departments should define their work principles and tasks in line with the requirements that are conducive to the overall situation of the economic construction and to liberating and developing productive forces. Departments are never allowed to divorce themselves from or surpass it. The accomplishments in economic construction should be judged by no means according to jobs that we are taking on but according to whether the work that we are engaged in promotes the economic construction. All leading cadres and all work departments should examine their work according to the standards for liberating and developing productive forces and for promoting economic construction. Leading cadres should understand that all departments have responsibility for rendering effective service to liberate and develop productive forces and have no rights to using their functions and power to restrict the development of productive forces and interfere in economic construction. We cannot say that the departments, even the economic departments, have persistently taken economic construction as a key link if they divorce themselves from the fundamental requirement for liberating and developing productive forces. On the contrary, under such a situation, the more work they have done, the farther they are from the central link of economic construction and the more restrictions they give to the development of productive forces. Leaders at various levels should comprehensively understand and implement the basic line of the party, consciously liberate and develop productive forces, eliminate all the obstacles for the central link of economic construction, and promote the overall progress of productive forces and society. In the spirit of seeking truth from facts, we should emancipate our minds in a down-to-earth manner, boldly step forward, do solid work, and make a new and greater development of the province's economic construction, reform, and open-up.

'Crucial' Reform Question Noted

*SK2904043592 Shenyang LIAONING RIBAO
in Chinese 24 Mar 92 p 1*

[Fourth in a series of articles on further emancipating the mind by a LIAONING RIBAO commentator: "Firmly Grasping the Crucial Question"]

[Text] In further emancipating the mind, we should firmly grasp the crucial question. Failing to emancipate the minds and having no courage to make a big step in reform and opening up means, in the final analysis, being afraid of following the path of capitalism when more capitalist things are utilized. The crucial question is which to uphold, capitalism or socialism. Only by firmly grasping this crucial question to clear up right and wrong

and to get rid of suspicions can we truly emancipate our minds and boldly try and carry out reform and opening up.

With regard to this question, we must understand the following several principles: First, the most important and fundamental task of socialism is precisely to emancipate and develop productive forces. Second, regarding public ownership as predominant and achieving common prosperity are the fundamental principles of socialism which we must adhere to. Third, there is no ready-made mode for socialism, and socialism with Chinese characteristics is created by us. All these principles have been thoroughly explained in detail in a series of important expositions made by Comrade Deng Xiaoping with regard to the building of socialism with Chinese characteristics.

To truly uphold socialism and scientific socialism, we cannot but define the fundamental task of socialism. During the "Great Cultural Revolution," the "gang of four" absurdly raised the slogan of preferring poor socialism to rich capitalism. As a result, China stagnated. Comrade Deng Xiaoping sharply pointed out in one of his speeches: "In carrying out socialism, we must develop productive forces, and poverty is not socialism. We should, of course, persist in socialism. But, to build a socialism superior to capitalism, we must first establish a socialism which can extricate us from poverty. Although we say that we are engaged in socialism now, yet, in fact, we are unqualified to do so. Only until the middle of the next century and until we reach the level of a medium developed country, can we say that we have truly carried out socialism and can justly and forcefully say that socialism is superior to capitalism. Now, we are walking towards this destination." Reform and opening up is precisely to emancipate productive forces and to promote the development of the socialist society. We should naturally try and carry out reform in a bold way. Why are we afraid of carrying out capitalism, and why do we fear others saying that we are engaging in capitalism?

There are two basic principles for socialism. One is to develop an economy with public ownership as the main body, and the other is to achieve common prosperity instead of engaging in polarization. Since the introduction of reform and opening up, we have never divorced from these two principles. In deepening reform and expanding the opening up in the future, we will still adhere to these two principles. Some people worry that China will become a capitalist country. Such a worry is by no means groundless. However, we cannot use empty talk but should use facts to free them from this worry and to reply to the people who hope that China will become a capitalist country. The fact is that we have upheld the two basic principles of socialism. As early as when we first began to build special zones, some persons suspected whether China would engage in capitalism. However, the achievements of special zones have already given them the answer that special zones are of socialism rather than capitalism. In special zones, public ownership is the main body. Thus, we should initiate, as much

as possible, joint ventures involving foreign investment and should not be afraid. We have favorable conditions, have large and medium-sized state enterprises, and have township and town enterprises. What is more important is that political power is in our hands. Moreover, it is the state and the people rather than capitalism that receive the greater part of the profits. It is groundless and is contrary to common sense to think that more foreign investments means more capitalism and more development of capitalism.

Will some problems crop up in the course of reform, and will some negative affects be brought about by opening up? The answer is affirmative. However, there is nothing to be afraid of, because we have ways to tackle it. For instance, to extricate ourselves from poverty as early as possible, we have encouraged a portion of people and a portion of localities to become prosperous first and have had these people and localities bring along the backward with the purpose of achieving common prosperity finally. If we let the rich be even richer and the poor be even poorer, it is easy to produce polarization. This problem should be tackled and is not difficult to tackle so far as the socialist system is concerned. The way to solve this problem is to let those who become prosperous first help those who are not rich, and to let advanced localities support backward ones. Of course, we must seize correct opportunity and choose proper methods. Otherwise, it will again lead to egalitarianism and the practice of "eating from a common big pot." This will not only prevent us from achieving the purpose of common prosperity but also probably hold back those which have already become prosperous.

There are basic principles for socialism but there are no ready-made modes for socialism. Socialism is an active and lively creation of the masses and is turned out by the masses. Therefore, for the question which we are engaged in—socialism or capitalism, the answer is just practice, the practice of the vast numbers of the masses under the leadership of our party. Helping to expand the productive forces of the socialist society, helping to enhance the comprehensive national strength of a socialist country, and helping to improve the people's living standards should become the basic criterion for judging our work. So, we can clearly understand that utilization of some achievements scored by capitalism is not equal to carrying out capitalism and following the path of capitalism. For instance, the joint ventures involving foreign investment are under the control of the entire political and economic conditions of our country and are a useful supplement to the socialist economy, thus being conducive to socialism in the final analysis. Some things, such as negotiable securities and the stock market, should be tried out boldly. To make socialism superior comparable to capitalism, we must boldly draw and use all the achievements of human society's civilization and all advanced managerial forms and operational methods reflecting the law of modern socialized production created by various countries in the current world, including the Western developed countries.

If one is not convinced at the moment, he should be allowed to see. However, we should not argue with him. We need to race time, seize opportunity, and create new ways for reform and opening up.

Quickening Economic Pace Needed

SK2804043092 Shenyang LIAONING RIBAO
in Chinese 25 Mar 92 p 1

[Fifth in a series of articles on further emancipating the mind by a LIAONING RIBAO commentator: "Quickening the Pace of Economic Development"]

[Text] An extremely important guiding thought for the current economic work is to seize the current favorable opportunity and take advantage of the favorable conditions that have already emerged to speed up economic development and bring it up to a new stage every few years.

China's economic development has been expedited since the third plenary session of the 11th party Central Committee. It leaped between 1984 and 1988 in particular. In these five years, China's wealth increased tremendously, the national economy as a whole was brought to a new stage, and a material foundation was laid for the smooth progress of the economic improvement and rectification in the three years afterwards. Both international and domestic experiences proved that it is totally possible to seize opportunities and exert a few years of efforts to accelerate the economic development in a certain period and make big strides to bring it up to a new stage.

Quickening the pace in economic development is a correct choice in the current international and domestic situations. Only when we accelerate our own economic development can we stand firm in the competition in the world economic market and continue to expand our position; and can we fully manifest the superiority of the socialist system and enhance people's faith in socialism. Maintaining a fairly high growth rate in economic development is also a need in safeguarding the political stability in the country. A stable social environment and political situation are the foundation and prerequisite for us to carry out the work in various fields. In this sense, stability is an overwhelming task. If we fail to attain the designated economic growth rate, we will have difficulty in maintaining the stable political and social situation. Only by accelerating economic development and meeting the people's ever growing needs in their material and cultural life can we maintain social stability.

We are also faced with an excellent opportunity. The last year saw an important change in the international situation, which provided us greater room to manoeuvre in the international political and economic stage. We may continue our efforts to create an environment favorable to domestic construction. At present, there is political and social stability in the country, and the vast number of cadres and ordinary people have the strong will to promote China's economy promptly. Since the third

plenary session of the 11th party Central Committee, our party has effected the shift of its work focus, put forward the basic line consisting of "one central task and two basic points," and drawn up a series of principles and policies. The deepened reform has brought and is bringing the relationship between various economic sectors into better balance, has boosted the enthusiasm and creativity of the masses, has helped open China wider to the outside world, and has broadened the road for economic development. The socialist system with public ownership as the predominant sector has ensured us to rationally dispose the resources of production on a larger scope and mustered them for important undertakings. After the economic improvement and rectification, Liaoning has gone out of the slump, its production efficiency has begun to pick up, and its capacity to cope with market changes is increasing. As long as we make the best use of these favorable conditions, our economy can be developed more speedily and more successfully.

Quickening the pace in economic development is not contradictory to the principle of developing the economy in a sustained, stable, and coordinated manner. Sustained and stable development means that the economy should continuously rise in a stable manner for a fairly long period of time. However, this cannot be interpreted as development at an average rate every year. Development growth rates in different years cannot be the same, and sustained and stable development also implies development by leaps and bounds. Coordinated development means planned and proportionate major economic sectors. Developing the national economy in a proportionate manner and enabling the various components of the national economy to maintain definite proportions is the objective demand of the socialized large-scale production. Stability and coordination are relative but not absolute, and only development is unchangeable truth. There is also a prerequisite for quickening the pace in economic development. That is, we should emphasize efficiency and quality, and develop the export-oriented economy. As long as the economic efficiency and product quality are high, and our products are export-oriented and can earn more foreign exchange for the state, the faster the growth rate is, the better it will be.

Of course, accelerating economic development does not mean acting recklessly, nor unrealistic "great leap forward." Developing the economy is a task to be carried out in a conscientious manner, and we should respect the objective law and objective conditions. This is a principle we should adhere to when performing the economic work of both the entire country and a locality. Of course, we must no longer divorce ourselves from reality to develop the great leap forward. However, it is also wrong to remain passive and conservative, slow down the growth rate, and not develop speedily when we have the favorable conditions to do so. Being afraid of the reemergence of a new overheated economy, some comrades are overcautious and dare not make big strides bravely. Evidently, such a tendency should be overcome.

When doing all our work, we should strive to make it safe and avoid mistakes. However, making it safe does not mean stagnation, still less regression. Our basic purpose is to emancipate the mind, make greater strides, take actions actively, achieve development in productive forces, enhance the comprehensive national strength of the socialist country, and improve people's living standard.

On Emancipating Productive Forces

SK3004052992 Shenyang LIAONING RIBAO
in Chinese 27 Mar 92 p 1

[Sixth in a series of articles on further emancipating the mind by a LIAONING RIBAO commentator: "Reform Is Also Meant To Emancipate Productive Forces"]

[Text] Liaoning must deepen reform if it is to bring its economy up to a new stage.

In the past few years, people said that our province enjoyed many favorable conditions and advantages for economic development, but its ranking in the country continued to fall and its gap from the coastal advanced provinces and cities in southeast China was widening, thus creating a sharp contrast with these provinces and cities. How did such a situation take shape then? There were many reasons for it, but, as far as our work was concerned, the major one was the light weight we gave to reform and the small extent and slow pace in reform. That the irrational economic structure had fettered the development of productive forces was an objective fact everyone acknowledged.

For example, we have a great number of large and medium-sized enterprises, which, no doubt, represents a major advantage. However, they lack autonomy, face too many restrictions from outside, and have experienced little change in their internal operating mechanism. The common big pot, iron rice bowl, iron wage, and iron position were broken for some time, but were later restored again. In such a condition, it is only nature that enterprises lack vigor.

Another example is that we have advantages in iron and steel, nonferrous metal, petrochemical, and machinery industries. However, the market for relevant means of production is far from being perfect and the barriers between different regions and different departments block their circulation. This plus our lack of finely processed products of high technology content makes it difficult to turn our industrial advantages into advantages in market competition and, more difficult, into advantages in export.

The other example is that we have fairly substantial scientific and technological forces, which also represents an advantage. However, the market for science and technology has not developed well, science and technology have not been closely coordinated with the economy, and policies toward relevant scientific research units and personnel have not been fully relaxed and invigorated. In such a condition, turning scientific

and technological achievements swiftly into direct productive forces remains merely a good idea.

From these examples, we can see that Liaoning's many advantages only provide a kind of objective possibility for developing the economy fairly rapidly. The key to turning this possibility into reality lies in increasing the weight and expanding the extent of reform, further eliminating the shackles of old systems, and emancipating and developing productive forces.

As early as in 1985, Comrade Deng Xiaoping pointed out: "Reform is the self-improvement of the socialist system and, in a certain extent, effects a certain revolutionary change." As far as we can understand, the "revolutionary change" refers mainly to the emancipation of the productive forces shackled by old systems. The revolution was meant to emancipate productive forces, and reform is also meant to emancipate productive forces. We overthrew the reactionary rule of imperialism, feudalism, and bureaucratic capitalism to emancipate the productive forces of Chinese people. This was a revolution and, therefore, revolution was meant to emancipate productive forces.

After the basic socialist system was established, we also needed to fundamentally change the economic system that fetters the development of productive forces and establish a socialist economic system full of vigor and vitality to promote the development of productive forces. This is reform and, therefore, reform is also meant to emancipate productive forces. We should understand the necessity and importance of reform from this perspective, further enhance our sense of reform, and achieve new progress in reform and opening up.

How to emancipate and develop productive forces is a question to which no ready answer can be found in the "books" on Marxism. Neither is there a successful pattern in the real life of the world. We should rely on our own practice and exploration. Therefore, we should emancipate our minds and have the courage to blaze new trails, conduct experiments, and take some risks. Never should we falter and limp like women with bound feet. The development of Shenzhen today, the new situation of the advanced coastal provinces and cities in southeast China, and the road of building socialism with Chinese characteristics are all attributed to the efforts to blaze new trails. Without blazing new trails, it is impossible for Liaoning to bring its economy up to a new stage. When blazing new trails and conducting experiments, it is difficult for us to avoid risks and mistakes, which, however, are nothing to be afraid of. What we should fear is being panic-stricken and hesitant to press forward. A positive attitude is one to sum up experiences on a regular basis, persist in what is correct, swiftly correct what is wrong, and step up efforts to solve new problems when they emerge.

As reform is meant to emancipate productive forces, it is bound to encounter numerous complicated situations. More than a decade of reform poses an unprecedented impact on "leftist" ideas, traditional concepts, ossified

patterns, and the force of habits and, therefore, is bound to face their rebound. In addition, it also takes time for the people to gradually adapt mentally to the reform. Reform has brought and is bringing more and more economic benefits to the people. However, it is impossible and also improper to demand that every reform measure brings actual benefits to every person swiftly. On the contrary, some localities, departments, enterprises, and individuals need to sacrifice some interests for the time being. Such adjustment in relations among various sectors in terms of interests will last for a rather long period of time and is a matter deciding whether reform will proceed smoothly. Therefore, we should clearly understand the protracted, arduous, and complicated nature of reform, be fully mentally prepared for it, and combine the revolutionary spirit of conducting exploration and blazing new trails bravely with the scientific approach of seeking truth from facts, doing more work, and talking less. We should have great courage, steady steps, and meticulous work when carrying out reform. However, first of all, we should have great courage. This is our conclusion.

NORTHWEST REGION

Articles Examine Aspects of Xinjiang's Situation

'Missed Historic Opportunity' Recalled

92CM0202A Paris MINZHU ZHONGGUO
[DEMOCRATIC CHINA] in Chinese
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[Article by Yuan Ming (7086 6900), formerly deputy director, Theoretical Research Office, Central Party School: "Missed Historic Opportunity: Recalling the Trip to Xinjiang 10 Years Ago"]

[Text] A historic opportunity was missed because of the obstruction of hard-line Han chauvinists within the CPC.

I made a trip to Xinjiang in September and October 1981. The Xinjiang issue was less explosive then. We were still at a point in history when it would have been easier to solve it, but the opportunity was missed because of the obstruction of hard-line Han chauvinists within the CPC.

That historical opportunity arose from Hu Yaobang's [5170 6069 6721] trip to Xizang. From 22 to 30 May 1980, Hu Yaobang went on a study tour to Xizang with Wan Li [8001 6849]. After listening to the Xizang people, he said that besides reversing the vast number of unjust verdicts and throwing out the numerous framed-up charges inherited from the past, we must take six basic steps: 1) Practice full autonomy; 2) Recupérate and rebuild; 3) Adopt special and flexible policies suited for Xizang to develop the local economy; 4) Provide substantial funding to boost agriculture and animal husbandry output so as to meet the urgent daily needs of Xizang people; 5) Revive Xizang's cultural, educational, and scientific undertakings; and 6) Transfer back to the

interior in stages cadres stationed in Xizang. The purpose of these six steps was to give Xizang genuine autonomy. Given the conditions prevailing at the time, it was the right thing to do to promote Xizang economically and culturally and safeguard the Xizang people's existence and freedom.

For a time between the summer of 1980 and early 1981, therefore, there were gratifying changes in Xizang. After he returned to Beijing, Hu Yaobang issued a string of documents aimed at throwing out all the trumped-up charges and reversing the unjust verdicts, including the "Buddhist monk case," "Fupan organization case," "the case of the underground temples," "the case of the four treasonous clans," "the seven-star party case," and the "Zhonghua Minzhudang case." On 6 August 1980 the CPC Central Committee and the State Council approved the report of the party committee and the people's government of the Xizang Autonomous Region on the large-scale withdrawal of cadres and workers stationed in Xizang, and ordered their immediate transfer.

These measures won the praise of the Dalai Lama. When Hu Yaobang was elected chairman of the CPC Central Committee at the Sixth Plenum of the 11th CPC Central Committee, the Dalai Lama sent him a congratulatory telegram, which was carried by XINHUA. The prospects looked good for a peaceful settlement of the Tibet question.

What was being done in Tibet had an immediate impact on Xinjiang. Between 10 and 14 July 1980, Hu Yaobang presided over a discussion at the Secretariat of the CPC Central Committee over the Xinjiang question and put forward six points relating to Xinjiang work, which by and large were variations on the six steps being undertaken in Tibet. As Hu Yaobang saw it, the Xinjiang question was not as complicated as the Tibet issue. It had no religious leaders in exile or a government in exile. It had no independence movement supported by foreigners. Economically and culturally and in transportation, Xinjiang was also superior to Tibet. So it would seem that it would not be as difficult to solve the Xinjiang problem. What was not expected was the resistance from hard-line Han chauvinists on the CPC Central Committee.

When I went to Xinjiang in 1981, it had been 1 year since the Secretariat of the CPC Central Committee put forward the "six points for Tibet" and the "six points for Xinjiang." The "six points for Tibet" had already been suspended, while tension was also beginning to mount in Xinjiang. Wang Feng [3076 6912], charged with implementing the "six points in Xinjiang" had just been sent packing from Xinjiang. I do not know the former Xinjiang leader well. From what I heard, he was probably very much to the left when he was implementing the nationalities policy in Xinjiang, which explained his local unpopularity. Later, though, he enforced the CPC's "six points" so vigorously that he was removed by the Han chauvinists.

That year I spent almost 2 months touring Xinjiang from north to south and came into contact with members of the local nationality as well as Han cadres and people. By and large, most minority cadres and people were warm, friendly, and very eager to talk to us. In contrast, some Han cadres, people of our own nationality, were wary and even hostile. One possible reason might be that both myself and my two fellow travelers came from the central party school and were regarded as toeing Hu Yaobang's line. In contrast, some Han cadres in Xinjiang were opposed to the "six points for Tibet" and the "six points for Xinjiang" put forward under Hu Yaobang's auspices.

We went to Xinjiang to study the region's economic development. But it was not long before I learned that there could be no economic development in Xinjiang without national autonomy and openness. Xinjiang has a good natural environment and abounds with natural resources. Such basic national facts of life as "overpopulation" and "lack of resources" do not apply to Xinjiang. The Xinjiang nationality was quite open intellectually and culturally. Why, then, is Xinjiang so poor?

One underlying reason is that as a major international trade route opened up since the Han and Tang dynasties, Xinjiang has been sealed off for a long time. Another is that the local industry has long been repressed and unable to develop freely.

This explains why the "six points for Tibet" and the "six points for Xinjiang" were enthusiastically embraced by the nationalities, including the cadres, in Xinjiang, while the response of Han cadres was less uniform. Some cadres who were of a higher quality politically and culturally and were more open in their thinking approved of full national autonomy for Xinjiang and were more reconciled to being transferred back into the interior. Less enlightened in their thinking were those Han cadres who had received more privileges and benefits in Xinjiang than the level of their abilities justified. In the absence of some maneuvering by their behind-the-scenes supporters, it seemed that they would have no choice but to return to the interior in compliance with CPC policy.

The chief behind-the-scenes opponent of the "six points for Tibet" and "six points for Xinjiang" was none other than Wang Zhen [3769 7201], who led troops into Xinjiang and was for a while military regional commander. Actually he did not remain commander for long, having been dismissed by Mao Zedong for bullying the local nationality. Mao Zedong sent Xi Zhongxun [5045 0112 0534] to Xinjiang to correct Wang Zhen's Han chauvinism and eased him into the job of minister of agriculture and reclamation. The reputation of this general was built upon the cropland from Nanniwan to Heilongjiang, not the hurly-burly of the battlefield. As a result, Wang Zhen had no say on the Xinjiang issue as long as Mao Zedong was alive. During the Deng Xiaoping era, however, he resurfaced as a self-appointed Zuo Zongtang [1563 1350 2768] and went around boasting of his "glory days" as the local tyrant of

Xinjiang. Moreover, he acted as if he were an authority on the Xinjiang question and frequently intervened in Xinjiang affairs.

The split between Wang Zhen and Deng Liqun, on the one hand, and Hu Yaobang, on the other, was still little known in the interior but was much more open in Xinjiang, particularly in places like Kashgar, where ethnic strife was fierce. As soon as we arrived at Kashgar, a Uygur cadre tracked us down and said to us emotionally, "We support Hu Yaobang's 'six points for Xinjiang.' Why have they been suspended? Han cadres were supposed to be withdrawn. Why aren't they being withdrawn now? On the contrary, reports say it is Maimaiti who would be transferred out of Xinjiang. What is going on?" He added, "During one of his trips to Xinjiang, Wang Zhen said that he would be buried at Tian Shan in Xinjiang after he dies. We would not allow the bones of this heathen, a murderer of the people of Xinjiang, to defile the sacred soil of Tian Shan. If they bury him here, we would dig it up." Another Uygur cadre wanted us to ask Hu Yaobang to send Xi Zhongxun to Xinjiang. He said, "Wang Zhen and Deng Liqun oppressed minority cadres way back. It was Xi Zhongxun who put things right. Xi Zhongxun understands the people of Xinjiang. Only if he comes here can Xinjiang prosper." Even the most radical minority cadres in Xinjiang we came across were not antagonistic to all Han people and Han cadres. Nor did they advocate total independence from China. All they wanted was genuine autonomy and the freedom to be the true master of the territory of Xinjiang. They were opposed to Han chauvinists like Wang Zhen and Deng Liqun who bullied and oppressed them. They welcomed Han friends who helped them, like Hu Yaobang and Xi Zhongxun. All the Uygur, Kazak, Uzbek, and Tajik cadres we met were open, candid, not at all inhibited. Some did not speak the Han language but since we had an interpreter, they were able to converse with us in a friendly way. We discovered that most Han cadres who spoke the local languages and served as our interpreters got along very well with Xinjiang cadres and the Xinjiang people and seldom displayed Han chauvinist prejudice. But they were more guarded than their Xinjiang counterparts and less ready to voice their opinions for fear that something bad would happen to them if the leaders found out.

In Kashgar we met an elderly Han cadre who had worked in southern Xinjiang for years. Throwing all caution to the wind, he lashed out at Hu Yaobang and even Mao Zedong to our faces, saying, "When Mao Zedong transferred Wang Zhen and Deng Liqun out of Xinjiang years ago, he was making a big mistake. What he did only fueled the growth of Xinjiang nationalism. This time around Hu Yaobang came up with the 'six points for Xinjiang,' and now things have gotten out of hand in Tibet and Xinjiang. Soon we would all be sent packing. What the hell does Hu Yaobang know? Full autonomy! You give them autonomy and they would only turn around and create an East Turkistan. Hu Yaobang also wants to withdraw Han cadres to the interior. That would be like surrendering Xinjiang to the Soviet Union

and Turkey. Only a traitor would do such a thing." He added, "To stabilize Xinjiang, we must send hard-liners like Wang Zhen and Deng Liqun here."

At the time Wang Feng had already left and was replaced by Gu Jingsheng [6253 2529 3932], who was neither a hard-liner nor a Mr. Nice Guy. Neither side was really happy, hoping that somebody else more to its liking would be sent to Xinjiang.

Opportunity Knocks But Once

It seems that the historic opportunity of a decade ago would not come this way again.

Had the CPC Central Committee ignored the obstruction by such Han chauvinist hard-liners as Wang Zhen and Deng Liqun and persevered with Hu Yaobang's "six points for Tibet" and "six points for Xinjiang," we would have given full autonomy to Tibet and Xinjiang, at the same time preserving China's unity.

When I met the Dalai Lama in New York in 1989, he continued to express his admiration for Hu Yaobang's thought of full autonomy. In his speech in Strasbourg he still called for negotiating with the CPC to achieve autonomy' and avoid armed confrontation and breakup. The best time for negotiation was when the Dalai Lama sent a telegram to Hu Yaobang in 1981 congratulating the latter on his election as chairman of the CPC Central Committee. With good faith on both sides, it would have been possible to reach an agreement that would give full autonomy to Tibet and avoid breaking China up. This is true for Xinjiang as well as Tibet.

Second, had Xinjiang and Tibet been opened up to the outside world on the basis of full autonomy 10 years ago, they would have achieved a good measure of progress and stability by now after a decade of economic and cultural development. With the CPC embarking on reform and democratization and opening up to the outside world, a continual union could have been maintained and breakup avoided.

Yet the situation today is different from that 10 years ago.

To begin with, the internal situation has changed. As Ms. Xia Zhuli [1115 4551 7787] noted in her report, the Chinese Communists' dictatorial rule in Xinjiang in the past 10 years has only made the various nationalities there much more resistant than 10 years ago. Today the nationalities in Xinjiang no longer limit their demand to full autonomy. Nor do they still believe in the communists' promises of "autonomy." More and more they are choosing the path of splitting from China.

The external conditions have changed as well. The achievement of independence by Soviet republics in Asia has greatly intensified the desire for independence among the various nationalities in Xinjiang. Even the Dalai Lama, breaking with his own demand for autonomy in his Strasbourg address, has declared that he now wants to fight for the independence of Tibet through non-violent means.

In other words, even the "six points for Tibet" and the "six points for Xinjiang" cannot now meet the demand of the various nationalities in Tibet and Xinjiang. It is too late.

What then does the future hold for Tibet and Xinjiang?

First, today the CPC Central Committee is not willing to grant full autonomy, nor would the nationalities be happy with full autonomy. So full autonomy is out of the question.

Second, immediate independence. That will lead to bloodshed and heavy losses. Not advisable.

Third, the forces of freedom and democracy in Xinjiang and Tibet can form a close union with the forces of freedom and democracy in all of China, creating a powerful anti-dictatorship alliance and putting an end to the Chinese Communists' one-party dictatorship, including the Han chauvinists' dictatorship in Xinjiang and Tibet. It would then be up to the various nationalities to make their own choices in a democratic China through peaceful consultation.

The third option, I believe, will be the new historic opportunity for the forces of freedom and democracy among China's various nationalities within 10 years following radical changes both at home and abroad.

Pollution, Rights Violations Noted

92CM0202B Paris MINZHU ZHONGGUO
[DEMOCRATIC CHINA] in Chinese
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[Article by Yan Ding (3099 7844), mainland scholar, currently with Stanford University: "Nuclear Pollution and Human Rights Violations in Xinjiang"]

[Text] All trees near the nuclear testing site have been defoliated. Everywhere you find people suffering from hair loss and skin diseases that make their skin turn scaly.

Within 750 kilometers from the testing center—Huangyanggou Valley, Xinjiang—is a large swath of land in the northwestern corner of China containing towns, lakes, and mountains

Huangyanggou is located at 41.5 degrees north and 88.5 degrees east. To its west, a mere 270 kilometers away, are the densely populated Kuerle Shi and the Yanqi Hui Autonomous County. Malan, the testing center's rear-service city, is only 180 kilometers away. Situated to the leeward of Huangyanggou, only 127 kilometers away, is the farm belonging to the 36th regiment of the second agricultural division of the Xinjiang Production and Construction Corps. This area is also a leading asbestos-mining area in China.

The atomic bomb testing site, which is a restricted area, is mostly surrounded by well-known historical cities. To the east are Dunhuang with its Buddhist treasures, and Thousand Buddha Cave. To the north are the ruins of

the ancient state of Gaochang and Tulufan Shi (population: 210,000), a large producer of vegetables and fruits. To the northwest is Urumqi (population: 1.37 million), the autonomous region's capital. To the west is the strategically vital city of Kuerle (population: 240,000), known as fields (cropland) north of the Great Wall. To the southwest is Kuche, the leading city of the Western Region, formerly the Kingdom of Guici. Further to the south are Nuomei, Huotian Shi, Minfeng, and Qiemo, the latter three abounding in Huotian jade. To the southeast, about 200 kilometers from the testing site, are Qianyi Hu and Lop Nor. This mysterious stretch of territory, known in history as the Western Region, is celebrated in the world today only for its past—the ruins of the ancient state of Loulan, the old Silk Road, Thousand Buddha Cave in Dunhuang, Zuo Zongtang, and the grave of the Fragrant Imperial Concubine. Little known is the fact that today 2 to 3 million people in the Western Region, including military personnel, workers, men, and women, are silently being invaded by nuclear pollution. These people, who are members of the Uygur, Kazak, and Hui, as well as Han, nationalities, should have such basic rights as the right to live, relocate, and protest. Nuclear pollution in the Western Region has reached an alarming level. All trees near the nuclear testing station have been defoliated. Everywhere you find people suffering from hair loss and skin diseases that make their skin turn scaly. Every time following the testing of a nuclear device at the site, Japan, tens of thousands of miles away, would send a note to China without fail strongly protesting that airborne radioactive fallout has reached Japanese skies, polluting its environment. In contrast, millions of Chinese people, including Han people and members of minorities, who live within hundreds of miles from the testing site are suffering in silence the assorted dire consequences of nuclear pollution. Even more horrendous is the fact that in the high-sounding name of "revitalizing China," tens of millions of Chinese have lost their own rights and value as an individual. They do not have the right to protest nuclear pollution, to reject it, or escape from it, let alone the right to demand that nuclear testing be stopped.

Since the Chinese Communists successfully exploded their first atomic bomb on 16 October 1964, China has conducted frequent tests involving atomic and hydrogen bombs. They may be tested underground, above ground, in the atmosphere, or using a guided missile.

Not that the Chinese Communists did not know the serious consequences of nuclear pollution. For each test, they tried to pick a time when the wind would be blowing in a southeasterly direction if possible, that is, toward the Kunlun Shan and the Leishan area in western Tibet, which are sparsely populated. Taking the brunt of the burden are Dunhuang, Lop Nor, Nuomei, Kunlun Shan, which is rich in freshwater resources, and the plateau in western Tibet.

Jiang Zemin's "Human Rights Equal Right to Live" Theory; Seriousness of Nuclear Pollution and Its Violation of the Right to Live

No one living on the mainland in the mid-1960's could forget the public excitement as China celebrated the successful explosion of its first atomic bomb. People took turns reading oversized newspaper extras. Soon a documentary recording the actual explosion of the nation's first atomic bomb was shown across China. One scene I will never forget for the rest of my life. First there was this huge dazzling fiery ball. Then a mushroom cloud rose in the sky over the desert. Team after team of PLA soldiers in protective garb jumped down from the trucks and dashed into the explosion site to gather data and samples. Then they returned to their base, took off their protective clothing and shoes, and poured off the sweat that had accumulated inside. Along with the three pilots who flew a plane through the mushroom cloud on a data-gathering mission, these people subsequently were deemed to have performed exceptionally meritorious services. Their names were entered on the honor roll and they were invited to join the party. However, the same group of people later on succumbed to a mysterious incurable disease one after another. They were sent to a sanatorium on the coast of Zhejiang and never came back. Nor was the world ever told what price they really paid. As for the people in the Malan area near the testing site, including their families and children, they still live there, test after test, after 30 years and more.

From the mid-1960's through the mid-1980's, Chinese organs of propaganda carried reports of one successful explosion after another. But never once did they reveal or report on nuclear pollution in the Malan area, nor was public discussion on this issue allowed. In reality, nuclear pollution in the area around the testing site has gotten so serious that it is no longer fit for human habitation. The incidence of birth defects among children born in this area is far higher than that anywhere else. Even before they are married, young men and women develop butterfly-like brown spots common among pregnant women on their faces. Mysterious skin diseases and endocrinopathy are becoming more and more widespread.

On 12 February 1985 RENMIN RIBAO devoted an entire page to a story on the tens of thousands of scientific, technological, and military industrial personnel at the Malan testing site, praising them as "unknown heroes." For decades, the report says, these people lived somewhere in the northwest amid poor natural conditions, dedicating themselves to the nation's defense industry. However, there was not a single word about the people who had died, about diseases caused by nuclear pollution that have been on the rise, and about land and water pollution that can never be reversed. Reading the report, you might think nuclear pollution has never occurred and will never occur to the people of China. Subsequently some generals involved in the policy-making process at the time, such as Zhang Aiping [1728 1947 5493], Nie Rongzhen [5119 2837 5271], and

Song Renqiong [1345 0117 4522], as well as such scientists as Wang Chang [3769 2490], Qian Sanqiang [6929 0005 1730], and Deng Jiaxian [6772 4471 0341], did make reference to nuclear pollution here and there in their writings on the development of China's nuclear arms industry and expressed their misgivings. But because of such all-important considerations as "national and party interests" and "national power," they either had difficulty bringing up the subject or considered nuclear pollution a fair price to pay.

In a system like this which treated the life of an individual with utter disregard, even high-ranking party, government, and military cadres, not to mention rank-and-file servicemen, military officers, or logistic personnel, were incapable of self-preservation and failed to spare themselves the peril of nuclear pollution.

The Malan nuclear testing base adjoins Kuerle Shi, the capital of the Bayinguoleng Autonomous Prefecture. According to CPC regulations, the government of the jurisdiction where the testing base is located has the obligation to support and assist the base by providing materials, vegetables, and other conveniences. To show that the army and the people are as inseparable as fish and water and as a gesture of respect for the local government, local leaders would be invited to observe every nuclear test, followed by a celebration dinner. Most of the top leaders of Bayinguoleng Autonomous Prefecture, including the secretary and deputy secretary of the prefectural party committee, the prefectural chief, as well as the commander and political commissar of the second agricultural division of the local construction and development corps, served under Wang Zhen in Brigade 359. For decades they went through hell and high water with the CPC. Yet every time they were invited to observe the testing of a nuclear weapon, these veteran comrades would wrack their brains to come up with an excuse for not attending, pleading illness or a previous engagement, even though they had verbally accepted the invitation. This was a political duty, so they dared not tell the truth, namely, that they were wary of nuclear pollution. Yet they saw and heard with their own eyes and ears the horrible consequences of atomic diseases. But they really had no choice. In the same way that they did not give the people in their own jurisdiction the right to choose, they themselves were stripped of the basic human right to protect one's own life.

It might be that for reasons that had to do with military needs or military discipline, the Chinese Communists did not allow the soldiers stationed at the Malan military base and their dependents to leave the testing zone. But they do not let people in the surrounding areas who have suffered directly relocate or protest either, nor have effective protective measures even been taken. Take Kuerle Shi, Yanqi County, and Wushitala County, for instance. Whenever an atomic bomb was exploded, the local population would hear a thunderous roar rolling across the land, rattling windows, doors, and houses. The noise often lasted a while, followed by a gust of boiling hot wind. The next day the people would hear on the

Central People's Broadcasting Station that China had successfully exploded yet another atomic bomb. Only then would they know what caused the "rolling mine." Over time, whenever they heard a "rolling mine" sweeping across the land, people would say, "Here it comes again. Another one...."

The year the Chinese Communists exploded their first hydrogen bomb was also the time when the Cultural Revolution reached its climax. The departments charged with making the hydrogen bomb, fully aware that its power dwarfed that of the atomic bomb, made the unprecedented move of giving advance notice to the local government. All workers and residents were given a day off the day the test took place. They were told to stay home and tape all windows with pieces of paper shaped like the character "mi." In addition, they were to cover all food exposed outside with gunnysacks and canvas.

To maintain secrecy, the authorities did not inform the local residents until one day before the test. Since there was no place they could go, the people had no alternative other than staying in their homes. They were not given a choice. Nor did they know how to choose.

Even more serious is the fact that Bositeng Hu, the largest freshwater lake in Xinjiang and the source of water supply for Kuerle Shi and several farms under the second agricultural division, is located in Kuerle Shi and Yanqi County, a mere 270 kilometers from the testing site. Radioactive fallout directly falls on the surface of the lake and then flows into Kongque He, the principal source of drinking water and irrigation water for almost 1 million people in the lower reaches of the river, thereby severely jeopardizing their health and safety. This situation has now gone on for almost 4 decades.

The 36th regiment of the second agricultural division of the production and construction corps of the Xinjiang Military Region is stationed only 110 li from the testing site and in the leeward side to boot. Nuclear pollution there has gotten incredibly bad. Trees have been defoliated. The wheat crop, minus its awn, is so short that it barely clears the ground. There is no insect pest; birds and insects, beneficial and otherwise, have long fled the area, an option not available to humans. The quasi-military practices of the corps and the permanent residence registration system have tied the 10,000 agricultural workers of the 36th regiment and their families to the area. As they themselves put it, "This land is all we have, for better or worse. Fortunately, asbestos has been discovered in the hills over there. It can be exported to earn foreign exchange. Since agriculture does not do well, we may as well concentrate on mining asbestos."

Asbestos damages the human body and can lead to cancer and early death by destroying one's lungs and respiratory tract. The local people cannot leave this place, contaminated by nuclear radioactive pollution. Worse, they have to work in the asbestos mine, the victims of an occupational hazard on a daily basis: asbestos dust. In any democracy, the government will be taken to court to answer charges and required to pay

compensation and help with relocation. But to whom can the Chinese people, poisoned twice over by nuclear pollution and asbestos dust, appeal or protest? When will they be allowed to tell their tragedy to the outside world? Maybe they still do not know they have a right to protest. Maybe they do know but do not have the courage to act on it. After China opened up to the outside world in the 1980's, the tens of thousands of people in the Western Region, already afflicted with radioactive diseases, are once again forgotten by the world.

The powers that be in Communist China initially refused to discuss human rights issues, claiming that the socialist system does the best job of protecting a citizen's rights. When the CPC, bowing to international criticisms, finally did take a stand on human rights, Jiang Zemin came up with the theory that human rights in China essentially means a citizen's right to live. Let us leave aside the fallacy and spuriousness of his human rights theory. Even if we use the criterion of "right to live" to measure the damage the Chinese Communists have done to the lives of the people in the nuclear testing area, they can advance no arguments no justify themselves. In the name of collective interests and national interests, actually in the interests of one party, the CPC, the system simply has no regard for the life of an individual or the legitimate rights of the public. Even worse, it has stripped the people of their basic human right to criticize the government for endangering their lives and safety.

The position of the CPC is this. First, refuse to admit that the pollution caused by nuclear testing has jeopardized the lives and health of the people in the surrounding areas. Second, prohibit public discussion. Third, ignore the victims.

Since the 1960's, when the testing of nuclear weapons began, the CPC has never allowed the nuclear pollution situation in the areas around the testing site to be reported to the public. Nor has it permitted members of the public to openly discuss the nuclear pollution issue and the hazard they are facing. On 6 December 1985, Uygur students and other members of the Uygur nationality took to the street in a public demonstration in Urumqi. One of their demands was that the government stop nuclear testing in Xinjiang. Several people were arrested and this demonstration was quickly put down. Newspapers were prohibited from reporting the incident. Few people outside Xinjiang know of this particular instance of open protest by the Uygur people. It may be argued that the testing of nuclear weapons is necessary for national defense reasons; the U.S., France, Britain, and the Soviet Union are all developing nuclear weapons. But depriving the people of the right to protest nuclear pollution and express different opinions is a violation of basic human rights, particularly freedom of speech and freedom of demonstration. Because of its vast population, freedom of movement has always been a controversial issue on the mainland. The CPC restricts the population's freedom of movement through the permanent residence registration system. The system facilitates both political control and economic planning.

Citing China's special national conditions as a reason, the CPC does not recognize freedom of settlement as falling within the scope of human rights. I am not going to discuss the relationship between the two here, but will only say that as far as the people in the polluted areas around the nuclear testing site are concerned, to deny them freedom of movement indisputably amounts to a violation of their basic human rights. Out of humanitarian considerations alone, the government should allow and assist the people in the affected areas to move to a safe place and pay compensation to the victims. Yet the position of the Chinese Communists is this. First, deny that pollution from nuclear testing has endangered the lives and health of the people in the surrounding areas. Second, outlaw public discussion. Impose a blackout on news and information about nuclear pollution. Third, totally ignore the victims. What has happened to the farm of the 36th regiment as mentioned above is a good illustration. It is located near and to the leeward of the testing site. All around there were no natural barriers, only low-lying hills and desert. The CPC Central Committee should have removed the entire farm. But since it was its policy to deny the existence of nuclear pollution and disallow public protest and relocation, the farm's 10,000 workers and their dependents are condemned to living in an inhabitable area by a permanent residence registration system.

National Interests: Still the Prime Excuse Chinese Communists Use to Deny Mainland People Their Basic Human Rights

The disregard for human life, the violation of human rights, and the loss of humanity—all of that took place in the high-sounding name of national revitalization and national interests. The Chinese Communist government is using its success in developing the atomic and hydrogen bombs to prove that under its leadership China has become a military power that attracts worldwide attention. Compared to so-called national interests, sacrificing the individual and his family, polluting the mountains and rivers, and harming future generations all pale in significance. They have become immaterial secondary issues. This must prompt us to think long and hard: What role has nationalism played in all this? When nationalism was reinforced by autocracy, people who were prisoners of nationalist feelings, particularly mainland intellectuals of the late 1950's, dismissed all thought and behavior that pursued basic human rights for the individual as bourgeois liberalism that ignored national interests. In the process, they surrendered to the CPC all basic human rights.

Today nationalism is still the prime excuse Chinese communist propaganda uses to strip people on the mainland of their basic human rights or to violate such rights. Here I would like to raise a point that we intellectuals need to reflect upon thoroughly, a point that Mr. Liu Binyan [0491 6333 7159] made in his comments on President Havel of Czechoslovakia and the democracy and human rights movement in that country. He referred to it as a chronic problem on the part of Chinese

intellectuals, something we must try to overcome in earnest. All people who are concerned about democracy and human rights in China, myself included, must abide by one principle as we examine and reassess our nationalist appeals, namely, that when nationalist sentiments and appeals are not accompanied by the basic values of human rights and democracy or if they hamper or undermine the development of human rights and democracy in China, we must criticize them vigorously no matter how much they advance Chinese modernization, no matter how much they benefit China practically. Also, nationalism incompatible with democratic values and human rights are bound to damage a nation's democracy and quality of life in the long haul even though it may make the nation strong for a while. Witness Nazi Germany and Japan during World War II. I feel more and more strongly that not only has the CPC exploited nationalism to further its autocracy, but we who fight for democracy and freedom have also failed to sort out the relations between nationalism, on the one hand, and democracy and human rights, on the other.

We can learn a profound lesson that would help us stay vigilant against nationalism from the historical fact that the CPC Central Committee uses national interests as a pretext for totally suppressing a citizen's right to criticize and protest nuclear testing. In the future, before a government on the mainland adopts a policy for whatever legitimate reasons to benefit the nation, it must first examine whether or not it will conflict with democratic values and human rights and impede free criticism by the public. That should be the bottom line for identifying ourselves with national interests.

Looking Back At Yita Incident

92CM0202C Paris MINZHU ZHONGGUO
[DEMOCRATIC CHINA] in Chinese
No 8, Feb 92 pp 22-24

[Article by Yan Jiuding (0917 0046 7844), mainland intellectual currently living abroad: "Historical Storm on the Pamirs"]

[Text] The western expedition of Zuo Zongtang's army brought together a mix of nationalities, but knives and swords cannot create the melting pot to blend cultures that are essentially different.

Thirty years ago, a whirlwind swept across the Pamirs in Xinjiang without any advance warning. Like a dust-storm that envelopes the sky and covers the sun, 80,000 people living on the frontier crossed the border and headed westward, depopulating a large stretch of land in one fell swoop. In several counties not a single soul could be found. Even party committee secretaries and county chiefs fled for their lives. No longer could you find a trace of smoke in the vast desert north of Tian Shan. Only the setting sun was shining in a melancholy manner on a desolate scene of broken walls.

The Yita Incident, which shook the world, has etched a deep scar along China's western border, leading to more than 2 decades of hostility, antagonism, conflicts, and

bloodshed between China and the Soviet Union and among the various nationalities on both sides of the border.

Today, when we go back in time, we can still vaguely recognize the hoof prints of ten thousand wildly galloping horses.

1. The Great Disturbance

One morning 30 years ago, a still sleepy Yining had just woken up. Nobody in the city felt that the day was going to be any different from any other day. The sky was clear and the air was dry. Everything was greenish yellow. All things, whether living or inanimate, belonged to the same color scheme as the plateau. Even the four-story office building housing the Yili Prefectural CPC Committee was yellow in color. Only Han people from the interior would be struck by this Gothic-style building as the symbol of an alien culture.

History demonstrates the strength of an empire. The western expedition of Zuo Zongtang's army brought together a mix of nationalities but guns and weapons cannot create the melting pot to blend cultures that are essentially different.

Old Li, a doorman for the Yili Prefectural CPC Committee, was a veteran of the army that entered Xinjiang. Naturally, he had never heard of Zuo Zongtang. He was a mere PLA soldier who changed jobs locally after coming to Xinjiang. An illiterate, he was happy with a doorman's leisurely pace of work. It was precisely this insignificant character who was first to bear witness to a violent racial and cultural showdown.

At 0900 Urumqi time (Beijing time 1900), a steady footfall could be heard on the dusty road where clouds of dust were swirling around, instantly smashing the eternal tranquillity of the border town of Yining. Over 50 young and middle-aged men stormed the iron gate at the party committee building. A stunned Old Li stood up. As soon as the old soldier opened his mouth and shouted out a question at the intruders, his voice was immediately drowned by an even sharper sound: a piece of rock crashed through the window and landed solidly on the floor. The broken pieces of glass sparkled brilliantly in the sun.

"What is going on? What do you want?" Old Li, loyal to his modest income, finally asked.

The replies, uttered in the Urumqi, Hazak, and Russian languages, were all short and simple, namely "smash." More rocks were hurled at high speed. Also drafted into service was slightly more advanced weaponry: sticks and herdsman's whips.

Old Li, normally a tad sleepy all day long, now showed his warrior's true colors. He quickly freed himself from the forest of angry arms and leaped onto the staircase leading to the committee offices, yelling loudly, "Something's wrong! Something's wrong!" In no time the room behind him was reduced to ruins, the tables, chairs, and window frames all broken into pieces of wood. The

intense feelings the crowd vented were so simple and primitive; it is almost as if just by destroying a small room, they had released all their emotions. They only knew that this yellowish brown building stood for the devil and did not realize that it also housed 100 cadres under the prefectural CPC committee. At that point, a number of officials used to ordering the masses around rushed down the stairs. In the melee, guns were drawn to quell the disturbance.

The results were predictable. The hot-tempered border people became angrier still. The mob encircled the entire building. Rioters of all nationalities soon reached 2,000. The prefectural CPC committee made an emergency phone call to the police and asked for instructions. The party at the other end of the phone line was also panic-stricken. It told the prefectural committee not to open fire rashly to avoid touching off a mass uprising. The prefectural CPC committee pleaded with the higher authorities to send troops and "restore order." The reply was totally unexpected: Not a single man would be sent. All the checkpoints and military barracks had been encircled and attacked to varying extents.

The Pamirs, silent for a thousand years, exploded in anger that day.

2. The Bloodbath

The riot was escalating. Fires were being set at the prefectural committee building. The jeep in the courtyard was overturned and set ablaze.

Putting his combat experience to work, Old Li effectively became the supreme commander. First he made the military chief of the CPC committee gather everybody together on the terrace on the fourth floor. Then he ordered that all guns be loaded and sent people to guard the staircase leading to the terrace.

The impasse lasted until 1500. Losing their patience, the border people finally decided to burn the building. Meanwhile, the Yili CPC Committee held its most efficient emergency meeting ever on the terrace, adopting a resolution consisting of just two words: "Open Fire!" All cadres armed with guns suddenly rushed downstairs, raised their weapons, and fired in unison. Instantly the din in the building gave way to screams and cries. Blood spread across the exquisite Pamirs rug. The border people beat a hasty retreat. Only when evening fell did the cadres dare to storm out of the building and started firing randomly as they rushed down the street. Under the cover of darkness, they evacuated to safety amid a chorus of screams, moans, and groans.

The bloody event in Yining turned out to be the most peaceful episode in the entire incident. Even more brutal and violent scenes took place in Tacheng. The border people there resisted with huotong and automatic weapons belonging to the military, causing a river of flood. It was a bloodbath. All PLA sentry posts on the border were encircled by border people from various nationalities. At a military depot only 7 kilometers from

Tacheng, an entire platoon of frontier forces was wiped out before the disturbances were quelled.

The bloody riots enveloped the entire Yita area like a giant dust-storm. The situation got totally out of control. Enraged rebels began attacking innocent Han people. In three ever-changing days and nights, almost all Han people in Yining Shi, Tacheng Shi, and some county towns were beaten up. Needless to say, just about every building razed to the ground was a party or government office, the most logical place to take out one's hostility at having been dealt with unjustly.

As the uprising escalated, the five-star red flag was torn into pieces and set on fire. National consciousness surged to a new high, reaching the level of "identification with blood ties." Once this point was reached, the inter-racial disturbance suddenly shifted direction and turned westward.

3. The Great Escape

Huoer Guosi, the widest mountain pass along the Sino-Soviet border, links a flat yousha highway in western Xinjiang. Guarding the door to China here was one company of PLA border forces.

The third day after the Yita disturbances, a sea of humanity blanketed the highway. At the head were the elderly, women, and children, driving flocks of sheep and pushing wheelbarrows piled high with felt coverings and assorted articles. Each of these weather-beaten faces was a study in somberness and resolve, demonstrating the kind of willpower that even bayonets and bullets could not stop.

Pistol in hand, the company commander climbed up to the top of the checkpoint. Behind him were combat-ready soldiers. The company's political instructor shouted a question at the crowd, "What are you up to?"

The reply was an thunderous angry howl, "We want to go to our old home."

Clouds of dust rose as the flood of people suddenly quickened their pace and started running frantically. Behind the women and children were herdsmen on horseback or pushing carts. Whips rose and fell one after another. Hooves pounded on the solid plateau. Instantly the human wall made up of soldiers and steel guns collapsed. Nobody has ever heard such an astounding chorus of sounds, people shouting, horses neighing, and mountains and valleys echoing them. Even the barracks at the checkpoint were overrun by the tidal wave of humans and horses and reduced to rubble.

For three full days and nights the highway overflowed with refugees. What happened at the Huoer Guosi border station was a carbon copy of the scenes at other border posts near Tacheng.

Within three days, nine houses out of 10 in the Yita area were deserted. Even CPC cadres of a minority nationality had fled. The tidal wave swept across the border into Soviet territory, a landscape just as arid.

What forces drove these people to abandon their yurts, give up their land and properties, turn their backs on the homeland of their ancestors, and enact such a tragic latter-day "Exodus?"

4. The Grand Finale

They did not turn their backs on the land; it was the land that turned its back on them. The reason is that no longer were they allowed to own their own land or their pastures. Even their herds of sheep and cows would soon be "communized."

After the PLA entered Xinjiang, Wang Zhen the butcher (who ironically did not really distinguish himself on the battlefield) indulged in excessive killing, massacring in cold blood ordinary people of all nationalities throughout Xinjiang. As a result, the CPC was forced to send Xi Zhongxun [5045 0112 8113] to clean up the mess and pacify the people. Yet this was followed by a round of socialization carried out by force and in a high-handed way. Socialism is sharply at variance with the culture and traditions of various nationalities in the border area. Their religious pride and national dignity were offended. Numerous imams were stripped of their religious duties. Old Master Bayi and Russian noblemen were purged and their properties confiscated. With its origins in the "ruffian movement," the CPC used large numbers of "proletarian" hooligans and hoodlums. Honest and hardworking herdsmen and peasants were put under the "leadership" of lazybones who idle about. Gritting their teeth, the honest and good-natured border people had put up with all that.

But when their very right to exist was about to be snatched away, they finally exploded, venting grievances that had been pent up for years.

By 1962, the mainland was already in the grip of an unprecedented famine, the disastrous outcome of the "people's commune movement." Even the remote Xinjiang frontier was not spared. Historical documents show that hunger had already reached dire proportions in the Yita area. The number of livestock on hand was dropping rapidly each day. Many herdsman households had slaughtered their last sheep to stave off hunger. Meanwhile, a flood of Han people fleeing famine in the interior was pouring into the west. In northern Xinjiang, formerly a prosperous area, living conditions were deteriorating sharply.

On the one hand, there was the oppression of death. On the other hand, there was the call of life. The former touched off a massive anti-communist riot. The latter led to an exodus. The consequences were inevitable.

Thirty years later, many people who experienced the Yita incident firsthand returned to their native land to

visit relatives. Their recollections are the most accurate footnote to this episode in history.

Natasi's father was a Uygur from Yining and her mother was Russian, also from Yining. Natasi was only 12 in 1962, so her recollection of the events was sketchy. Recalling her days in China, she said, "What I remember most clearly was the hunger. I complained about being hungry from morning to night. Later I stopped crying, too hungry to move. When we got to the Soviet Union, we were given bread right away." It turned out that as soon as the refugees crossed the border into the Soviet Union, their national countrymen sent them large loaves of bread and butter and helped them settle down. Natasi has now finished college in the Soviet Union and has children of her own.

Mihayi used to be a Russian herdsman near Tacheng. At the time of the Yita incident, he fled to the Soviet Union with his wife, children, and his remaining 20 sheep. He quickly integrated into the society there, working and living in peace and contentment. In 1988, Mihayi, then 68 years old, returned to his hometown to sightsee, his chest bedecked with a dozen or so shiny Soviet labor medals. It turned out that he had become an animal husbandry expert in the Soviet Union. He owns his own home and has more than one car. Now retired, Mihayi is still sentimentally attached to his birth place. He had offered to come back to help his hometown develop animal husbandry, an offer rejected by the Chinese Communist government.

Today, 30 years later, how do the CPC authorities assess this major event?

The Chinese Communists, who are used to standing facts on their heads, condemned the incident at the time as "counterrevolutionary riots" instigated by "class enemies" and strongly condemned the Soviet Union for exercising remote control behind the scenes. When China embarked on reform and opened itself to the outside world, a gradual thaw began in Sino-Soviet relations. After failing to find any evidence actually showing that Soviet agents had engineered the incident, the CPC downgraded it from "Yita counterrevolutionary riots" to the "escape of Yita border people." Finally, the CPC simply generalized it as the "Yita incident," omitting the characters "the escape of border people."

We can see that as the dust settled, 30 years after the disturbance, the CPC is finally rendered speechless in the face of irrefutable facts, unable to advance any further arguments to support its case.

After all, history is history. You cannot be vague about it.

Business Opportunities in East Europe Viewed
 92CE0359B Taipei TIENHSIA [COMMON WEALTH]
 in Chinese No 129, 1 Feb 92 pp 128-132

[Article by Liu T'ing-tsu (0491 1694 4371), general secretary of the Foreign Trade Association: "Opportunities for Taiwan in East Europe; Since the Political Upheaval in the Former Soviet Union, East Europe Has Sunk Into Political Chaos; I Think That Taiwanese Businessmen Should Take a Long-Range Approach, by Seizing Business Opportunities That Emerge From This Chaos"]

[Text] While the political upheaval in East Europe and the former Soviet Union is causing many problems, it is also presenting many opportunities. The former Soviet Union and East Europe are changing over in a short period of time from their former command economies to market economies, which is causing certain "symptoms," such as rising wages, economic depression, inflation, deteriorating living standards, fiscal deficits, and declining foreign trade. Additional noneconomic factors, such as nationality disputes and political structure issues, have left Hungary in the best position, and the former Soviet Union in the worst, during the period of adjustment in which all East European countries are moving toward market economies. The former Soviet Union's livelihood difficulties are creating even more political instability.

The "Mutual Aid Society" Has Disintegrated

While foreign trade in these socialist countries used to depend mostly on a sort of economic mutual aid society, which accounted for 70 percent of their foreign trade, this mutual aid society abandoned the ruble on 1 June 1991, began to set prices in strong Western currencies, and started to do business at international market prices, which could be said to have caused its disintegration. While East European countries must now compete in product price and quality with Western countries, their industrial structures are unable to produce such products. As their domestic production and marketing channels are still controlled mostly by state-owned enterprises, their old system has been destroyed before a new foreign trade system has been established, and their product competitiveness is very poor, their foreign trade turnover has dropped sharply. As compared to those for the first five months of 1990, the former Soviet Union's major product exports during the first five months of 1991 were lower by 49 percent for oil, 54 percent for oil products, 45 percent for lumber, and 61 percent for rare metals, which has had a serious impact on their economic operations.

But as the former Soviet Union and East Europe have a solid industrial base, more proficient workers than ordinary developing countries, and rich resources, they have a very high degree of "mutual complementarity" with Taiwanese industries. The former Soviet Union needs Taiwan's light manufactured goods and its experience in running small- and medium-sized enterprises, while Taiwan needs former Soviet Union and East European

S&T, markets, and rich natural resources. Czechoslovakia's machine industry, Hungary's chemical industry, and the former Soviet Union's high-tech industries, such as electronics, nuclear power, and spaceflight, are all of very high quality. While the former Soviet Union is in a state of political chaos that is presenting more business opportunities, care must be taken because of the increased difficulties in doing business. As long as Taiwanese businessmen are fully equipped with courage, insight, and information, and are able to engage in mutual cooperation, they will be able to seize the opportunities to open up markets.

A Long-Range Approach

How should Taiwanese businessmen proceed? While the former Soviet Union and East Europe do not have diplomatic relations with Taiwan, and the CPC is applying pressure to isolate us, these are obstacles that can be overcome. For instance, Hungarians are particularly close to Chinese, having bloodlines similar to the Uygur nationality in Xinjiang, while also having an ideology that is closer to the liberal ideas of the West. Moreover, as Taiwan has many influential friends in Hungarian political and economic circles who have given us much help, we can establish a stronghold in Hungary. While Hungary has a population of only 10 million, this is only one aspect of the matter. If Taiwan can use Hungary through which to establish relations with Czechoslovakia and Poland, which will then influence our relations with the former Soviet Union, we will be able to open up foreign economic relations and trade with all of East Europe.

Poland and the former Soviet Union were Taiwan's two biggest East European trading partners in 1991. While Hungary and Poland already have many private enterprises, so are slowly becoming very much like West European countries, it is still necessary to deal with state-owned enterprises in the former Soviet Union, the biggest country, so that succeeding in business there requires good relations with the government.

In engaging in foreign economic relations and trade with this region, the Taiwanese Government, the Foreign Trade Association, and nongovernment-related businessmen must adopt a "long-range approach." It will take at least five to 10 years of long-range planning to establish trade with East Europe as follows: 1) We must establish widespread strongholds, in order to gather extensive information. 2) We must increase bilateral trade exchanges through all channels, such as S&T, education, culture, and sports, with the overall aim of establishing "political relations." For instance, we must look for certain cooperative projects that the former Soviet Union needs greatly, but that will not cost Taiwan too much money. If the former Soviet Union wants to build a toothpaste or footwear factory, small- and medium-sized Taiwanese enterprises can either train Soviet Russian technicians, or loan the former Soviet Union the money to buy industrial machinery. Taiwan should teach the East European countries how to fish, as opposed to the G-7 that provides only loans for fish to

eat, which leaves them with nothing when the fish are eaten up. 3) We must help manufacturers and business firms to engage in conditioned trade. The type of "conditioned trade" that the Foreign Trade Association is now pushing for is carried out through third country banks. For instance, in buying oil from the former Soviet Union, a Taiwanese manufacturer or business firm would first open a credit account in a Swiss bank, and then make arrangements for the former Soviet Union, instead of drawing on this account, to buy from Taiwan a similar value of products, for which the former Soviet Union would in turn open a credit account in a Swiss bank. This form of transaction through third country bank accounts can reduce the risks of "conditioned trade." While Taiwanese manufacturers and business firms could open joint accounts in Swiss banks to buy former Soviet Union minerals or manufactured goods, if they followed the Korean example of setting up a "(former) Soviet Union trade fund" to provide financing, this would lead to even brisker trade with the former Soviet Union. The Taiwanese Government could consider collecting and allocating such a fund for a 10-year period, after which it would deduct and allocate to this fund part of the money earned from trade with the former Soviet Union over the 10-year period, in order to free up "conditioned trade."

A Formal Entry Into Moscow

While the political implications of Gorbachev's fall from power will naturally affect the "sentimental relations" that Taiwan had already established in the former Soviet Union, how will we be able to evaluate its advantages or disadvantages unless we take a long-range approach? While we must naturally be cautious, we cannot wait. After many years of hard work, the Foreign Trade Association has finally received formal permission to set up an office in Moscow. Only because Taiwan's foreign trade might has made a deep impression on them, has the Foreign Trade Association been able to gradually overcome its "short-term residence" status in a small Moscow hotel and move to its current official office. Rent in Moscow is almost three times that in Taipei, and key factory sites are in short supply. While the Foreign Trade Association had originally assigned only two personnel to Moscow, this number has been increased to six, who are collecting information mostly in the Russian Republic.

Their top priority tasks at present are collecting extensive information on market conditions, and holding exhibitions in Soviet Russia. Plans have been made to hold two exhibitions in Russia in 1992, i.e., "The Moscow Computer Show" and "the Moscow Consumer Goods Exhibition," in addition to smaller exhibits in other regions. Other tasks are organizing intensive small tour groups to all border republics, in order to seek out Soviet Russian markets and help manufacturers and business firms engage in conditioned trade. The Foreign Trade Association is also considering the possibility of establishing a trading business or organizing a chamber of commerce in the former Soviet Union, which would

be the only way to carry out large-scale foreign economic relations and trade. Russia will become Taiwan's base in the former Soviet Union.

Investing in Factories in East Europe

Taiwanese businessmen should also establish strongholds and organizational affiliations to help in collecting particular industrial intelligence, as well as selecting suitable sites for cooperative production as necessary. While Czechoslovakia is a good place in which for Taiwanese businessmen to invest in factories, because they would not be subject there to the limitations of European market quotas and discrimination, and could take advantage of sales channels, they should put off doing so in Soviet Russia, as the Soviet Russian economy has not yet bottomed out and there are still many variables.

Manufacturers and business firms must take advantage of all forms to establish as many patterns of "reciprocal trade" as possible. With the cooperation of all, there will naturally be no end to doing business in East Europe.

In order to do business in East Europe, we will have to accomplish the following tasks: 1) The first secret of success will be seeking out needs of other parties and investing in meeting them. 2) We must find ways to buy things from East Europeans, as finding things that we can buy will get us halfway to success. As East Europeans are short on foreign exchange and have no foreign trade channels, we must buy things from them first so that, when they do acquire foreign exchange, they can buy things from Taiwan, which will make such business profitable. 3) Finally, we must establish long-term relations. Trade means "service," so that planning for things that East Europeans will like, meeting their quality requirements, and providing peripheral services, will mean that the trade process will never end, there will be no end to doing business, and East Europeans will become Taiwan's permanent customers.

Trade with East Europe will occupy a very important position in Taiwan's overall trade. East European resources, such as Siberian lumber, minerals, and fishery are Soviet Russia's richest resources. Almost none of the Central Asian republics are developed, so that there are exceptional market opportunities in places, such as Kazakhstan and Armenia. As the whole former Soviet Union has a population of 240 million, with not only a huge market, but also a strategic position of far-reaching global impact, so that the United States and West Europe will not allow it to collapse, Taiwan will have great business opportunities in Soviet Russia.

Trade Through Third Countries

Taiwanese manufacturers and business firms should engage in more trade with Soviet Russia through third countries, such as Germany, Austria, and Finland, in order to reduce risks. As German businessmen have a particularly good understanding of Soviet Russia, cooperative entry into Soviet Russian markets by Taiwanese and German businessmen will reduce the risks. During

the current political chaos in Soviet Russia, profits can be particularly high, and the chaos will present greater opportunities.

While the Japanese are also very powerful in Soviet Russia, Japan has sustained great losses through making large-scale commercial and public loans to Soviet Russia. But the Japanese, just as we Taiwanese, think that such paving of the way must be done now, as it would be too late after the Soviet Russian political situation stabilized, and the doors of business opportunity were opened wide.

Editorial Questions Mainland Travel Measures

OW2504185192 Taipei LIEN HO PAO in Chinese
16 Apr 92 p 2

[Editorial: "Communist China Must Be Careful To Avoid Playing Tricks on the Strength of Its Political Superiority in Cross-Strait Exchanges"]

[Text] Communist China's Public Security Bureau issued the following announcement recently: Beginning 1 May, applications for travel to the mainland by people in Taiwan will be handled in accordance with the "Measures for Control of Chinese Citizens Traveling Between the Taiwan Region and the Other Regions of China" that it has promulgated. According to these measures, the "Taiwan Compatriot Travel Certificate" originally issued to people in Taiwan for travel to and exit from the mainland will be changed to the "Travel Certificate for Taiwan Residents to Enter and Exit the Mainland"; meanwhile, passport and domicile registration certificates are now required along with the application form and application fee of HK\$120 [Hong Kong dollars]. Huang Kun-hui, chairman of the Mainland Affairs Council of the Executive Yuan, said the measures imply that Taiwan people are foreigners and this deviates from the "One China" stand of Communist China.

After our repeated and careful deliberation, we find the "Measures" to be implemented by Communist China are not intended to facilitate travel by Taiwan people, as was announced by Communist China. Nor are they intended to simply imply Taiwan people are foreigners, as was pointed out by Huang Kun-hui. We find the "Measures" are intended to not only give prominence to "One China" but also virtually implement its advocacy of "One Country, Two Systems." At the least, the "Measures" will give rise to the following three serious consequences in the political arena:

1. So far as the meaning of "One China" is concerned, judging from the wording of the "Measures for Control of Chinese Citizens Traveling Between the Taiwan Region and the Other Regions of China," we believe Communist China is coordinating implementation of its policy on travel with implementation of its "One China" policy, and is playing its game of "One Country, Two Systems." The legal attribute of the words "Chinese citizens" in the "Measures" includes all people living on both the Mainland and in the Taiwan region. By particularly treating "citizens" as the principal part of the new

"Measures," Communist China fully shows that "the Measures" are a law applicable to people living in the two regions under the sovereignty of the central government of the "People's Republic of China." Obviously, the wording has the meaning of "One China."

2. So far as implementation of its advocacy of "One Country, Two Systems" is concerned, Communist China considers that the "Travel Certificate for Taiwan Residents To Enter and Exit the Mainland" applies to the people of the Taiwan region. Under the framework of "One Country, Two Systems" advocated by Communist China, the words "Taiwan resident" impart the meaning of a special region to Taiwan. We can imagine Communist China will also consider another kind of "Travel Certificate for Mainland Residents To Enter and Exit Taiwan" which will apply to Mainland residents traveling between the Mainland and Taiwan. This will be an out-and-out implementation of its advocacy of "One Country, Two Systems." If Communist China treated the Taiwan people as foreigners, this superfluous regulation would be unnecessary.

3. The fact that Communist China requires that passport and domicile registration certificates accompany entry permit application forms has a particularly unusual meaning. As was pointed out by the media, there is no inevitable relationship whatsoever between Communist China's requirement for a domicile registration certificate and Taiwan people's travel to the mainland as tourists. Its purpose is simply to take advantage of the opportunity arising from Taiwan people's travel to the mainland to establish household registration data files on all the people in Taiwan. Calculated by the percentage of 1 million people traveling to the mainland from Taiwan every year and calculated by five members per household, the household registration data files of 5 million people will fall into the hands of Communist China in a year. The household registration data files of the 20 million people in the Taiwan region will be completely established by Communist China in less than five years. Household registration data are the basis for calculating manpower data and national strength. Communist China's possession and control of the data would, indeed, pose an immeasurably great threat to Taiwan's security and development.

We have a hard time understanding the tactics Communist Chinese authorities have adopted to realize their goal of "one China." Last month, the Strait Exchange Foundation [SEF] sent a delegation to the mainland to discuss the verification of documents, a purely technical issue. The trip was made fruitless by Communist Chinese authorities' consistent efforts to try to tie various minor matters to the big topic of "one China." Playing on the Taiwan compatriots' nostalgia for and their enthusiasm in investing in the mainland, Communist Chinese authorities now pull off another trick under the pretext of "one China" and seek to gain political dividends from the Taiwan compatriots' "mainland fever."

In fact, any person of good sense can plainly see this trick by the Communist Chinese authorities. Frankly

speaking, we wonder whether all those "small tricks" by the Communist Chinese authorities will do any good for the goal of national unification. In contrast, the Mainland Affairs Council in Taiwan has adopted many special policies to promote exchanges between both sides of the Taiwan Strait. Although they are all isolated and minor policies, these policies may have an accumulative effect. SEF recently carried out an applaudable task by overcoming various obstacles in having mainland reporters visit Taiwan. Communist Chinese authorities, nevertheless, made a fuss over the "Republic of China" printed on the certificates issued to the mainland reporters and the map that still included Outer Mongolia in the territory of China, and brought up issues that have nothing to do with cross-strait exchanges. What was the purpose of making such a fuss, anyway? Lately, the Mainland Affairs Council has revealed that in the future, Communist China's flag and anthem will be allowed to be raised and sung at any international sports events held in Taiwan as long as the flag and anthem are accepted by Taiwan's people. We believe that Taiwan's people will accept this decision in a realistic way.

It is an undeniable fact that Taiwan and Mainland China are two polities separated only by a narrow strait. Both sides of the Taiwan Strait sincerely want to achieve the goal of reunifying China. Therefore, they must defuse their ideological confrontation over the concept of "one China." Leaders of the two sides must be aware of this necessity. We must, however, note that without sincerity and credibility, the consensus that the two sides have built on this point is rather weak. In other words, any trifling move on either side may arouse the other's suspicion. As we have mentioned earlier, the people of Taiwan will realistically accept any arrangements regarding Communist China's national flag and anthem in future international athletic meets. However, we must note that if Mainland China tries to find fault with us unduly in many matters, the people of Taiwan will surely grow suspicious of the Communist Chinese authorities and will unnecessarily respond in kind. For instance, they will definitely object to the display of Communist China's national flag and the playing of its national anthem in Taiwan. Such a development will only turn back cross-strait exchanges. Who should be held responsible for such a turn of events?

We would also like to take this opportunity to caution Communist China's ruling classes against harboring any biased or unbalanced sentiment when making policy regarding cross-strait relations. First, they must never try to use as a bargaining chip the attachment of Taiwan compatriots toward the mainland, as reflected in the growing number of Taiwan visitors and investors in Mainland China. Besides, they must never act willfully on account of their superior political position. On the contrary, they should cherish the relations between Taiwan and mainland compatriots, putting a greater premium on those relations as they grow more intimate. Such a bond is the greatest asset for "China's reunification." Recent efforts by Communist Chinese authorities to "complicate" the travel regulations governing Taiwan

compatriots and to unreasonably increase various travel fees mark a genuine retreat from mutual exchanges.

Second, Communist Chinese authorities must seriously examine the facts. The admiration of Taiwan compatriots for the beautiful scenery in Mainland China does not signal a willingness to accept Communist China's wanton manipulation. Taiwan compatriots will naturally cool their craze if they develop a strong aversion, or even an abhorrence, toward every action taken by the mainland's authorities. There may even be an estrangement among the people. When things come to this, the government here can only achieve limited results, even if it vigorously pushes cross-strait exchanges.

Here, we would like to tell Communist China in all honesty that though they still love every bit of Mainland China, Taiwan compatriots are increasingly developing a feeling of "being maltreated despite all the money they have spent." It is hoped that the Communist Chinese authorities will cherish the keen admiration of Taiwan compatriots for the mainland's scenery and will take their feelings into consideration.

According to the latest dispatches by reporters of this newspaper from Beijing and Hong Kong yesterday, the Taiwan Affairs Office under Communist China's State Council has taken note of our displeasure with the newly promulgated regulations and is expected to discuss remedial measures with public security agencies before the new regulations take effect on 1 May. It is our sincere hope that the State Council's Taiwan Affairs Office and Taiwan affairs policymakers in Beijing will not allow the Public Security Ministry to act without restraint. Just because you currently enjoy political advantages does not empower you to act arbitrarily in the conduct of cross-strait exchanges. Such political advantages may vanish if you mar the penchant for exchanges across the Taiwan Strait. And your banner of "one China" will also lose its appeal.

Upsurge in Mainland Trade, Investment Seen

92CE0436A Taipei CHO-YUEH in Chinese
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[Article by Shen Wen-tz'u (3088 2429 1964): "The Great Upsurge in Business and Trade Relations Across the Taiwan Straits; An Overwhelming Allure Along With Nagging Doubts; While the Decree Banning Them Has Still Not Been Lifted Completely, Business and Trade Contacts Across the Taiwan Straits Have Become an Irresistible Force, With the Pattern of Competition Taken by Most Enterprises Having Become Hong Kong Receiving the Goods Orders, the PRC Carrying Out the Production, and Taiwan Doing the R&D; Meanwhile, as the World Economy Is Moving Towards More Regional Integration, a Greater Chinese Economic Community' Is Becoming the Focus of Debate; Considering the State of Regional Division of Labor From a Chinese Perspective, the Issues Become Whether Taiwan and the PRC Can Resolve Their Hostility and Explore Mutually Beneficial

and Feasible Tactics To Enhance Their Mutual Competitiveness, and How Hong Kong Can Play a Go-Between Role? In Light of the Contradictory Mood of Antagonism Along With Mutual Dependence, Are Taiwan, Hong Kong, and the PRC Actually Going To Be Eternal Enemies or Future Friends?"

[Text] This has become an irresistible force. By 1991, Taiwanese investment in the PRC had topped \$800 million, while the steadily growing pull of business and trade relations across the Taiwan Straits was inducing an even greater stream of Taiwanese firms to set up bridgeheads in Hong Kong for investment in the PRC. Thus, in 1991 Taiwanese investment in Hong Kong was six times as much as it had been in 1990, while Taiwanese entrepot trade through Hong Kong to the PRC had topped \$4.66 billion, or over 40 percent more than it was in 1990.

The entrepot trade of Taiwan's leading industrial giant, the Taiwan Plastics Group, reached \$10 billion NT in 1991. The 1991 entrepot trade of its component Nanya (South Asia) Co reached \$7.8 billion NT to account for 12.3 percent of its business turnover, with its major marketed products being PU synthetic leather, soft (vulcanized) rubber and rubberized fabric, and hard rubberized fabric and polyester fibers. Wu Chia-chao [0702 0857 2507], a Nanya spokesman, said that "as the factories that were set up in the PRC through three moves abroad of manufacturing plants all buy their materials from Taiwan," which purchases have been increasing sharply since 1989, it is predicted that Nanya's 1992 entrepot trade will top \$10 billion NT, and that the PRC will become one of Nanya's biggest customers.

Nanya (including Taiwan Plastics and Taiwan Chemicals) invested \$27 million as far back as October 1988 to set up a branch company in Hong Kong. As the Nanya Co's entrepot trade has increased so rapidly and, since plans were blocked for the setting up of factories in Haicang by Taiwan Plastics and in Huizhou by Nanya, Wu Ch'in-jen [0702 2953 0088], Nanya's assistant manager, has recommended new investment sites. He is making plans to concentrate mid- and down-stream manufacturers and business firms and build a special zone for plastics manufacturing in the Zhu Jiang Delta, where he has already sent Lin T'ai-hsiung [2651 3141 7160], a manager of his plastics department, to investigate and make a careful assessment.

Another petrochemical industry giant, "Southern Ch'imei," which is gradually becoming as famous as "Northern Taiwan Plastics," is also rolling up its sleeves in preparation for setting up operations in the PRC at any time now, with Hong Kong as its relay station of choice.

Ch'imei Is Positioning Itself To Expand to the PRC

Ch'imei Industries, which has the factory with the world's largest ABS production capacity, already controls over 60 percent of the PRC's ABS market, as well as

having another of the world's five largest factories whose major product is PS, which controls over 40 percent of the PRC's PS market.

Wang Hsing-tsung [3769 1630 1350], Ch'imei's assistant business manager, spoke as follows: "Ch'imei's ABS entrepot trade is growing 10 percent a year." The vigorous growth of the PRC's consumer goods has sharply increased its demand for ABS, which is an outer casing for consumer goods industries, such as communications, household electronics, and information, and which is consumed most in the production of household electronics products.

Ch'imei did not even dare to discuss business with Hong Kong or the PRC 7 years ago, and it was only when it took part in Hong Kong's fourth plastics and rubber products exhibition that PRC parties finally approached Ch'imei for official talks. While Ch'imei's ABS price used to be \$50 a metric ton cheaper than Japan's, in addition to plastics and rubber being in much hotter demand than supply 5 years ago, almost no major factory in the world would sell ABS to the PRC, with only Ch'imei extending a helping hand.

Wang Hsing-tsung points out that "as we see the PRC as an extension of our domestic market," which differs from Japan and (South) Korea's tactics of regarding it as "incidental," we have established a place for Ch'imei in the PRC.

While the government has still not lifted the ban on upstream petrochemical raw materials factories moving to the PRC, Ch'imei has already made comprehensive preparations for doing so. Hsu Wen-lung [6079 2429 7893], Ch'imei's chairman of the board, asks "if all of our large competitors in Japan and Korea go to the PRC, what advantage would that be to Taiwan?" (For details, see report in CHO-YUEH's February issue.)

Downstream Industries Are Taking the Lead, While Mid- and Up-Stream Ones Are Following

In fact, in addition to being focused on the long-range prospect of the vigorous growth of the PRC market for manufactured consumer goods, Nanya and Ch'imei's joint campaign is being even more successful in gradually breaking down the government's ban on investment in the PRC by mid- and up-stream manufacturers and business firms because of the consistent characteristics of up-, mid-, and down-stream industries. Ts'ai Chao-lun [5591 2507 0243], the general manager of Fuhsing Clothing, explains that "when downstream industries move abroad, this certainly induces mid- and up-stream ones to follow," which is the result of intensive industrial dependence.

In addition, registration statistics from the Investment Approval Commission show that by the end of 1991, 357 Taiwanese textiles and clothing manufacturers had invested more than \$110 million in the PRC. This upsurge in downstream textiles industries moving to the PRC has turned Taiwan into the PRC's major source of man-made fiber imports. In this area, Hualung Textiles'

entrepot trade accounts for more than one-half of its exports, while the entrepot trade of Far East Textiles, which has always taken a conservative approach to the PRC market, also accounts for 4.2 percent of its business turnover, or about \$882 million NT.

As the PRC has psychological, opportunity, and cost advantages, the pace of investment in the PRC by up-, mid-, and down-stream textiles industries will accelerate in the future.

Ta'ai Chao-lun spoke as follows: "I am moving to the PRC slowly," and am being forced to move abroad. Although Fuhsing Clothing, which had a business turnover of \$700 million NT in 1991, has taken the actions in the last 3 years of investing \$35 million NT in improving equipment in Taiwan to upgrade the industry on one hand, and setting up factories in the Philippines to enhance our product price advantages on the other, these 3 years of hard work and rushing about have resulted in a loss of over 30 percent of the personnel in our Taiwan factories, while the clothing that we make in the Philippines cannot compete in price with that which we make in the PRC. "While I am absolutely not going to give up easily until the very last minute," the continued existence of my business is forcing me to admit that the PRC is the best foreign investment site.

Industries Are Moving to More Combined Vertical and Lateral Investment

In addition to continuing its vertical industrial integration characteristic, the next wave of investment by Taiwanese businessmen in the PRC is going to see a more spectacular combination of vertical and lateral investment.

As Taiwan's footwear and textiles industries have already moved to the PRC, our 1991 entrepot trade in adhesive tape packaging reached \$60 million, for a 50 percent growth. Asian Chemicals, our leading adhesive tape packaging manufacturer, with a 1991 business turnover of \$3 billion NT, has already set up plants in Guangdong and Shanghai. Chao Chi-jung [6392 1376 5554], its general manager, says that they are beginning in a small way, "with a projected 1992 business turnover of \$10 million."

The entrepot trade market of the paper industry, which is similarly a peripheral one, is also thriving. Yungfeng set up a branch company in Hong Kong for entrepot trade long ago, while Chenglung Paper's entrepot trade accounts for 10 percent of its exports, or 8,000 tons of industrial-use paper a month. Cheng Wen-ming [6774 2429 2429], the director of Chenglung Paper's day-to-day business, explains that "as Japanese orders for PRC goods are taken through Taiwan," and the PRC is more familiar with Taiwanese machinery, we have orders for cardboard box machinery.

United and Weich'uan are making large investments in the PRC, which are spurring a tide of investment in the PRC by the food industry, and promoting a wave of

cooperation among peripheral industries. Chiang Cheng-hsing [1203 2973 5887], vice president of Tahua Metals, points out that "as Weich'uan thinks that PRC canning technology will not suit its products," it has asked Tahua Metals to invest \$10 million to set up a cannery in the PRC. Tahua Metals is now evaluating such a joint venture on one hand, while considering investing an additional \$20 million to set up a brewery in Shanghai on the other.

Taiwan, Hong Kong, and the PRC as an Iron Triangle

The PRC is a prospective bride for foreign investment by Taiwanese firms, for which Hong Kong is playing the role of matchmaker. As transnational enterprises would like to share PRC markets with Taiwanese firms, in addition to the catalyzing momentum for a "Greater Chinese Economic Community," resource integration and technical exchange among Taiwan, Hong Kong, and the PRC are accelerating.

In October 1991, Huip'u (HP) drew up plans to make these three regions a "Northeast Asian Zone," and sent skilled mid- and high-level managers from HP in Taiwan to work on them in the PRC. Then, on 1 Mar 92, Coca Cola officially began calling Hong Kong, Macao, Taiwan, and the PRC a "Chinese Zone," sent Taiwanese business managers from Coca Cola in Taiwan to its 13 PRC factories to make marketing plans, and sent a permanent personnel manager to the PRC to handle staff training. Moreover, Piao-chih, Yut'ien Machinery's French partner in a contractual joint venture, found that it was hard to succeed with French-style management, so hired Yut'ien technicians and managers to provide guidance in its Guangdong Piao-chih factory.

While this intensive action across the Taiwan Straits has brought complete harmony in funding, technology, and personnel, and the regional division of labor of "Hong Kong receiving the goods orders, the PRC carrying out the production, and Taiwan doing the R&D," seems to have become the operating pattern of many enterprises, the bad image of the first wave of investment by Taiwanese firms of "money speaking the loudest," each doing things in their own way, individual infighting, and limited bargaining chips, naturally obstructed later development.

Chao Chi-jung, who is the president of the Shanghai branch of the Taiwanese Businessmen's Joint Friendship Association, as well as the director of the Industrial Commission, says that "the Industrial Commission is promoting the establishment of branches of the Taiwanese Businessmen's Joint Friendship Association," which will enhance its future guidance functions.

If foreign business firms in Taiwan can make every effort to nativize their operations and fulfil all of their social obligations in Taiwan, cannot the same standards be applied to Taiwanese firms in the PRC?

Chao Chi-jung says that "besides making money, some Taiwanese firms are also beginning to take reciprocal actions," such as setting up kindergartens and building roads.

The PRC Trend Is Toward Service Trades

The Shengpao Corp, which began to promote visits to relatives in the PRC in 1988, has used its foundation operations to provide scholarships to PRC schools, while Asian Chemicals is making plans to extend its Lich'ing Scholarships to PRC scholars and students. Moreover, in order to cultivate business management talent, Ma Shao-hsiang [7456 4801 4382], the general manager of Taifeng Tires, has twice bought and presented business management books to senior PRC cadres. Such donations of varying amounts are too numerous to mention individually.

The mutual developments across the Taiwan Straits have obviously expanded gradually from capital, technology, and equipment exports to subtle cultural and educational influences. Moreover, large enterprises are following small and mid-sized ones to the PRC, which will expand the move abroad by Taiwanese firms from the manufacturing industry to service trades, and upgrade it from traditional labor-intensive industries to high-tech ones. This is because information has succeeded textiles to become the rising industry in the PRC, at which Taiwanese information circles are itching to have a go.

As the government's thresholds on investment in the PRC seem to have already been shaken level by level, the trend is that many industries are regarding the PRC market as an extension of the domestic one. Lin Ch'ing-po [2651 3237 3134], chairman of the board of Laoyeh Hotels, spoke as follows: "The vast PRC market should be the immediate one-way development goal of Taiwan's tourist hotel industry in the mutual business activities across the Taiwan Straits." As our domestic hotel market is saturated, and Taiwanese tourism to the PRC is

growing sharply, the PRC should be the future opportunity for Taiwan's hotel industry.

After the manufacturing industry, what restrictions might be lifted on service trades? This question seems to be bothering many people. As it seems that it will be hard to have the restrictions lifted to everyone's satisfaction, as to either which products and trades or what business scale, cries of unfairness can be heard everywhere.

Lin Wei-shan [2651 5588 1472], the general manager of Tat'ung, presented the following written statement to CHO-YUEH at a breakfast meeting: "It seems that the current advantage is with small and mid-sized enterprises and risktaking manufacturers and business firms, with the victory going to those that dare to steal off on the sly." While Japanese and Korean household electronics industries have long invested in the PRC, "we are still faced with an unfair and irrational situation."

Tat'ung's lack of restraint is only the tip of the iceberg.

Hardline Positions Are Hard To Surmount

Ts'ai Chao-lun, who convened the Construction Studies Council's Overseas Group, spoke as follows: "The government's control of key points is full of a sense of powerlessness, in that it lifts restrictions point by point as demanded." The Construction Studies Council will continue to push the government on investment in the PRC. But as most members are talking about business, their high-sounding talk about "remaining rooted in Taiwan" is not backed up by a sense of crisis.

As Taiwan has obviously always been in constant fear of losing its industrial base, while the PRC on the other side has always pursued the industrial goal of self-sufficiency, it seems that it is going to remain very hard to shed any light on the issue of the possibility of a future regional division of labor, mutual supplementation, and non-competition, in light of the hardline positions still being taken by the governments on both sides of the Taiwan Straits.

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